

# IMF Publication

## Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) - Proposals to Assess a Global Standard and to Prepare ROSCs

INTERNATIONAL MONETARY FUND AND WORLD BANK  
**ANTI-MONEY LAUNDERING and COMBATING the FINANCING of TERRORISM  
(AML/CFT)**

**Proposals To Assess A Global Standard And To Prepare ROSCs**

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## I. INTRODUCTION

1. In a Fund Board Seminar on June 27, 2002, and a World Bank Informal Board Meeting on July 9, 2002, Directors considered the paper *Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)—Materials Concerning Staff Progress Towards the Development of a Comprehensive AML/CFT Methodology and Assessment Process (SM/02/179 or SecM2002-0326)*. Directors noted that there are several outstanding issues to be considered in greater detail. These areas include consideration of the methods for arriving at AML/CFT assessments and preparing a Report on the Observance of Standards and Codes (ROSC). This paper provides Directors with a framework for agreeing on a common assessment approach and for considering whether to add the FATF 40+8 Recommendations to the list of areas and associated standards and codes where a ROSC is prepared.<sup>1</sup>

2. For the preparation of this paper, staff considered the following key principles:

- the objective should remain to develop a single assessment methodology based on a global standard covering the FATF 40+8 Recommendations.
- the Bank and the Fund staff's involvement in assessing sectors outside the prudentially regulated financial sector should be confined to those that are macroeconomically relevant and pose a significant risk of money laundering/terrorism finance.
- all assessment procedures should be transparent, consistent with the mandate and core expertise of the different institutions involved, and compatible with the uniform, voluntary, and cooperative nature of the ROSC exercise.
- the assessments should be followed up with appropriate technical assistance at the request of the countries assessed to build their institutional capacity and develop their financial sectors.

3. The paper is organized as follows: Section II discusses the two methods for conducting assessments and preparing an AML/CFT ROSC; Section III discusses the issues related to adding the FATF 40+8 Recommendations to the list of 11 areas and associated standards and codes where ROSCs are prepared; and Section IV discusses piloting of the two methods of conducting assessments and preparing ROSCs. The paper should be read in conjunction with *Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)—Materials Concerning Staff Progress Towards the Development of a*

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<sup>1</sup> In response to the request of the Fund Executive Board, the Fund staff will circulate a supplement paper to its Board which discusses resource implications for the two different assessment methods described in this paper. In response to Bank Executive Directors, the Bank General Counsel will prepare and circulate a note to the Bank Executive Board on the legal issues involved in assessing implementation of the AML/CFT laws, including criminal laws.

*Comprehensive AML/CFT Methodology and Assessment Process (SM/02/179 or SecM2002-0326)* which contains background information.

## II. TWO METHODS FOR CONDUCTING ASSESSMENTS AND PREPARING A ROSC

4. Drawing on the discussion at the Fund Board seminar on June 27, 2002, and at the Bank Board Informal Meeting on July 9, 2002, this section proposes two different methods for preparing comprehensive AML/CFT assessments and associated ROSC modules. Both methods are based on the use of a single comprehensive methodology that provides for a consistent assessment approach and avoids duplication of assessments. The preparation of ROSC modules could begin on a pilot basis as discussed in Section IV. These methods are:

Method 1: Financial Action Task Force (FATF), FATF-Style Regional Bodies and the Offshore Group of Banking Supervisors (FSRBs)-led assessments<sup>2</sup> and associated ROSCs, which would be undertaken in the context of FATF/FSRB mutual evaluations and would not include Fund/Bank staff.<sup>3</sup>

Method 2: Fund/Bank staff-led assessments and associated ROSCs, which would be undertaken by both Fund/Bank staff (including experts under staff supervision)<sup>4</sup>, who would assess and take responsibility for part of each assessment and associated ROSC, and other experts not affiliated with Fund/Bank staff who would assess and take responsibility for the rest of the assessment and associated ROSC.

5. These two methods have been developed to recognize that a comprehensive treatment of AML/CFT would need to address cells 1 through 9 of Table 1, including those areas that Directors have expressed concerns that neither the Fund nor the Bank staff (or experts under their supervision) should assess. These areas, *referred to as "areas not within Fund/Bank assessment responsibility,"* include implementation of criminal laws (cells 8 and 9) and the activities of those parts of the non-prudentially supervised sector that are not macro-relevant (cells 5 and 6) but that pose a money laundering risk. *In both methods, areas not within Fund/Bank assessment responsibility are not assessed by Fund/Bank staff (or by experts under staff supervision).* If the two methods are agreeable to the Boards of the Fund and the

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<sup>2</sup>The FATF-style regional bodies and OGBS (together referred to as FSRBs) have been selected as potential participants in Method 1 assessments because the FATF recognizes them with respect to three essential points (1) the right to attend FATF meetings, (2) right to receive FATF documents and (3) their mutual evaluation processes.

<sup>3</sup> Mutual evaluations are the assessment missions routinely conducted by the FATF & FSRBs to assess member's compliance with FATF recommendations.

<sup>4</sup> These include short term consultants, experts on secondment, etc., who participate with Fund/Bank staff in undertaking assessments under the supervision of staff. Fund/Bank staff take responsibility for the work of these experts.

Bank, the precise operational details would be developed by staff and reported to the two Boards.<sup>5</sup>

6. Under both assessment methods, assessors would use the agreed comprehensive assessment methodology based on the FATF 40+8 Recommendations. Both assessment methods would follow the current process used in Fund/Bank assessments of other standards: the assessors would prepare a detailed assessment that would be provided to the country and a summary assessment that was consistent with the format for ROSCs. Assessments would be conducted consistent with the uniform, voluntary, and cooperative nature of the ROSC exercise. This would involve some modifications in the mutual evaluation process.

7. The FATF has agreed that the FATF Secretariat would complete a draft of a comprehensive assessment methodology based upon a merger of Annex I and Annex II. The FATF Secretariat has agreed to give high priority to completing the work, taking account of comments by delegates. Staff will continue to work closely with FATF members, its Secretariat, and other standard setters to complete a draft of the comprehensive methodology by the time of the Annual Meetings of the Fund and the Bank. Staff will seek, in particular, to ensure that those areas addressed formerly in Annex I take into account the views and suggestions raised by Directors. In furtherance of this process, Fund and Bank staff will meet with representatives of FATF members, the FATF Secretariat, and other standard setters (Basel Committee, the International Organization for Securities Commissions, the International Association of Insurance Supervisors and the Egmont Group) on July 23 to discuss the steps required to complete the draft comprehensive methodology.<sup>6</sup>

8. Both methods of assessment would be employed in a manner that would avoid duplication and promote the efficient use of resources. Key features of the assessments are summarized in Table 2, and discussed below. The Appendix provides examples of the ROSCs under the two approaches.

9. **Method 1: FATF/FSRB-led assessments and associated ROSCs**—FATF and possibly FSRB-led assessments would cover the comprehensive AML/CFT standard. The assessments and associated ROSCs would be completed in the context of mutual evaluations of FATF or FSRB members. FRSBs could also elect to participate on the same basis as the FATF.<sup>7</sup> The list of FSRBs that are recognized by the FATF and their membership is provided

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<sup>5</sup> The two methods are also broadly consistent with the recommendations recently endorsed by the FATF Plenary. *See Statement by the Staff Representative on Update on Staff Discussions with FATF, Executive Board Seminar 02/08, June 27, 2002, BUFF/02/89, which was presented orally to the Bank Board of Executive Directors Informal Meeting on July 9, 2002.*

<sup>6</sup> A draft of the comprehensive methodology resulting from merging Annex I and Annex II has now been circulated to the participants in the Basel meeting for discussion during the July 23, 2002 meeting.

<sup>7</sup> Staff would have to consult with each of the FSRBs as to whether they might wish to participate; such consultations could begin immediately. However, FSRBs may need formally  
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in Table 3. While it is not yet known which FSRBs would be willing and able to participate, it should be noted that 110 out of 183 Fund and Bank members are also members of these organizations.<sup>8</sup> The FATF has already indicated that it would be agreeable to this approach.<sup>9</sup>

10. **Method 2: Fund/Bank-staff led assessments and associated ROSCs with delineation of responsibilities**—The Fund/Bank staff-led assessments and associated ROSCs (for FSAPs) or Fund-led (for OFCs) would also cover the comprehensive AML/CFT standard. Areas not within Fund/Bank assessment responsibility would be assessed by individuals drawn from a roster of experts in AML/CFT assessment of criminal law enforcement and non-prudentially regulated activities. These experts would assume responsibility for the part of the assessment and related ROSC that they complete; Fund/Bank staff (including experts under their supervision) would not; such delineation of assessment responsibilities would be clearly noted. Fund/Bank staff would draw up a roster of experts based on the names of competent persons provided by FATF, FSRBs, and other relevant bodies (the U.N., the Egmont Group, etc.).<sup>10</sup>

11. The delineation of responsibilities between Fund/Bank staff (and experts under staff supervision) and experts drawn from the roster would be shown in the detailed assessments by indicating which specific elements were prepared by the different assessors. In the ROSCs, the delineation of responsibilities would be clearly identified (see the example of ROSCs in the Appendix).

12. The publication of the ROSCs and of detailed assessments would follow current Bank and Fund practice, i.e., both would require that the country so request while publication of the detailed assessment would also require Management approval. Following the Fund's current practice for sharing Article IV documents with selected other international agencies, ROSCs,

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to consider whether to accept the conditions outlined in this section during their annual plenaries.

<sup>8</sup> Sixteen jurisdictions that are provinces or dependencies of Fund/Bank member countries also hold separate memberships in FATF/FRSBs. Three jurisdictions are members of FATF/FSRBs but are not members of the Fund. Seventy-three Fund/Bank members are not currently members of the FATF or an FSRB.

<sup>9</sup> See Statement by the Staff Representative BUFF/02/89.

<sup>10</sup> The FATF has agreed to encourage member jurisdictions to identify and make available national experts for use in Fund/Bank-led missions (see BUFF/02/89). See also Ms. Clarie Lo, President of FATF, letter to the Managing Director, June 26, 2002, circulated as an attachment to BUFF/02/89. The financing of those experts from the roster who are from FATF and FSRB member countries is expected to follow established procedures in place for FATF and FSRB mutual evaluation assessments. Experts from FATF member countries generally participate on secondment supported by their national authorities, while experts from FSRB member countries either participate on secondment or are paid either from the budgets of the regional bodies or by their national authorities.

including those not published, could be transmitted to the FATF and participating FSRBs, as would detailed assessments, at the request of the member.

### **Review of assessments and associated ROSCs**

13. Both assessments and associated ROSCs would be subject to reviews. First, assessments themselves would be subject to substantive reviews. FATF/FSRB-led assessments would be reviewed by the FATF/FSRBs. Fund/Bank staff -led assessments would be reviewed in two parts. The first part would involve review of the areas assessed by Fund/Bank staff (and experts under staff supervision). This review would be undertaken as is now done for other Fund/Bank assessments that result in ROSCs, i.e., through general departmental review of the work undertaken by the assessment team. The second part of the review, of areas not within Fund/Bank assessment responsibility, would not be reviewed by Fund/Bank staff. If the assessment was of a member of FATF or a participating FSRB, the FATF/FSRB would review areas not within Fund/Bank assessment responsibility,. If the assessment was not of a member of FATF or a participating FSRB, the review would be undertaken by separate reviewers drawn from the roster of experts.

14. AML/CFT ROSCs prepared under both methods would be subject to limited Fund/Bank staff review. This review would involve (i) a pro forma *case-by-case review for consistency with the ROSC format*, before the ROSC would be transmitted to the Fund/Bank Boards with subsequent posting on the web sites of the Fund and the Bank;<sup>11</sup> and (ii) yearly substantive *ex post review of experiences with the assessments* would be prepared to ensure consistency with the ROSC principles.<sup>12</sup> The former review would include a consistency check between the detailed assessment and the ROSC, but would not make a judgment on the substance of conclusions to the assessments. The latter review would seek to ensure that assessors apply a uniform approach to assessments, and would include an examination of how the detailed assessments were conducted, and the review process. Where needed, Fund/Bank staff would draw on the roster of experts to assist in the review process. A summary report of the ex-post reviews would be considered by the Fund/Bank Boards, and communicated to the plenaries of the FATF/FSRBs, including relevant recommendations.

### **III. ADOPTION OF A ROSC FOR THE FATF 40+8 RECOMMENDATIONS**

15. The Boards of the Fund and the Bank could agree to add AML/CFT to the list of 11 areas where standards and codes are useful to the operational work of the Fund and the Bank, and to adopt the FATF 40+8 Recommendations as the associated standard.<sup>13</sup> Doing so,

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<sup>11</sup> Publication would require the agreement of the authorities.

<sup>12</sup> See SM/02/179 or SecM2002–0326 (Attachment II) for a discussion of the ROSC principles as applied to the AML/CFT standard.

<sup>13</sup> Fund Directors agreed that members' implementation of listed standards "is an important element in the assessment of the general economic situation and economic policy strategy of members. Many Directors emphasized that the provision of information by members on the observance of standards in the 11 identified areas was important to the conduct of

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however, would be conditioned on the FATF ensuring that key concerns noted by Directors are first addressed. To address concerns of Directors, the four conditions below are to be satisfactorily met. These conditions will be raised with the FATF for its Plenary meetings, October 9–11, 2002. Staff will inform Directors of the outcome of the October Plenary meetings.

The **four conditions** to be met are:

1. the FATF Secretariat, in consultation with Fund/Bank staff, satisfactorily completes the draft of the comprehensive and integrated assessment methodology by the Annual Meetings for consideration at the October Plenary;
2. in its October Plenary, the FATF endorses the comprehensive methodology and its use in undertaking FATF/FSRB mutual evaluations and Fund/Bank staff-led assessments;
3. in its October Plenary, the FATF agrees to undertake its mutual evaluations consistent with the ROSC process as elaborated in Section II; and
4. the FATF does not undertake a further round of the NCCT process, at least during the period of a 12 month pilot project (see below).<sup>14</sup>

#### **IV. PILOTING OF THE DIFFERENT APPROACHES FOR REVIEW AFTER 12 MONTHS**

16. The two methods outlined above could be used on a pilot basis for ROSCs for 12 months, after which the experience would be reviewed. The pilot could commence once the Boards of the Fund and the Bank have agreed to add AML/CFT to the list of areas where ROSCs are prepared and the conditions above are met (as outlined in paragraph 15), and once the roster of experts was completed. The FATF, and each FSRB that chooses to participate, could be requested to undertake at least three mutual evaluations, which would allow an adequate analysis and review of, *inter alia*, the quality and consistency of ROSCs within and among the different organizations and the effectiveness of coordination.<sup>15</sup> Based on the results

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comprehensive analysis under surveillance. Most Directors recognized that if a member does not volunteer to participate in a ROSC, other sources of information, if available, will need to be used to inform surveillance.” **Summing Up, Assessing the Implementation of Standards—A Review of Experience and Next Steps** (SUR/01/13).

<sup>14</sup> Mr. Jochen Sanio, the then President-elect of the FATF, stated to the Fund Board seminar on June 27, 2002 that “the FATF, on the understanding that the IFIs adopt the comprehensive methodology and embark on a program of comprehensive assessments in accordance with that methodology, is prepared to indicate that it has no plans, at present, to undertake a further round of the NCCT exercise.”

<sup>15</sup> The FATF is currently conducting mutual evaluations of the individual member states of the Gulf Cooperation Council (GCC) and new members, but is delaying conducting other mutual evaluations until after it completes work on the revisions to the FATF

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of the analysis and review, the Bank and the Fund Boards would decide whether to continue and/or modify the two methods. As noted in SM/02/179 and SecM2002-0326, the FATF is considering revisions to the FATF recommendations that are expected to be completed in the second half of 2002, and which would require conforming revisions to the methodology. The pilot period could also be used by FATF to complete the revisions to the recommendations.

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recommendations. FSRBs are currently planning to undertake some 20 mutual evaluations over the 12-month period beginning in September 2002.

## **V. ISSUES FOR DISCUSSION AND RECOMMENDATIONS**

### **Issues for Fund Executive Directors**

17. Do Directors endorse adding the FATF 40+8 Recommendations to the list of areas and associated standards and codes useful to the operational work of the Fund and the World Bank and for which assessments—a report on the Observance of Standards and Codes (ROSC)—will be undertaken, subject to the conditions outlined in paragraph 15?

18. Do Directors agree that each of the two proposed methods for undertaking AML/CFT assessments and preparing ROSCs outlined in the paper should be used in a 12-month pilot program subject to the conditions outlined in paragraphs 15 and 16?

### **Recommendations for Bank Executive Directors**

19. The Bank Senior Management propose the addition of the FATF 40+8 Recommendations to the list of Standards and Codes useful to the operational work of the Bank and the Fund, subject to the conditions outlined in paragraph 15 of the paper.

20. The Bank Senior Management also proposes that a 12-month pilot program of AML/CFT assessments and related Reports on the Observance of Standards and Codes (ROSCs) be undertaken, using the two proposed methods as outlined in paragraphs 4 to 14 of the paper.

<b>Table 1. Matrix of AML/CFT Methodology Assessment Areas</b>				
		<b>ACTIVITIES</b>		
		<b>Prudentially Regulated Financial Sector Activities</b>	<b>Non-Prudentially Regulated Financial Sector Activities</b>	<b>Activities Subject to Criminal Laws</b>
<b>LEVELS OF COMPLIANCE ASSESSMENT</b>	<b>Rules Only<sup>1</sup></b>	<b>1</b> Rules regarding AML/CFT duties & integrity of banking, insurance, and capital market sectors  Annex 1, Parts 1 and portions of Annex 2 <sup>2</sup>	<b>4</b> Rules regarding AML/CFT duties & integrity with respect to activities not covered in 1  Annex 1, Part 1	<b>7</b> Laws on criminalization, confiscation, financial intelligence and international cooperation  Annex 1, Part 1, portions of Annex 2 <sup>2</sup>
	<b>Institutional Capacity</b>	<b>2</b> Capacity of regulators of AML/CFT duties & integrity of banking, insurance, and capital market sectors  Annex 1, Part 2	<b>5</b> Capacity of regulators of AML/CFT duties & integrity with respect to activities not covered in 2  Annex 1, Part 3	<b>8</b> Capacity of investigator, prosecutor, courts  Annex 2
	<b>Effectiveness of Implementation of Rules By Authorities</b>	<b>3</b> Effectiveness of AML/CFT duties & integrity regulation of banking, insurance, and capital market sectors  Annex 1, Part 2	<b>6</b> Effectiveness of AML/CFT duties & integrity with respect to activities not covered in 3  Annex 1, Part 3	<b>9</b> Effectiveness of investigator, prosecutor, courts in implementing rules  Annex 2
<sup>1</sup> Rules dependent on international bodies for enforcement, e.g., whether countries are in compliance with international conventions observed and enforced by the U.N., are not included in this table. <sup>2</sup> See Attachment I, Box 1 of the Board Seminar paper (SM/02/179 or SecM2002-0326) for a discussion of criteria to assess rules in force that the FATF ROSC Working Group is proposing to move to Annex I.				

**Table 2: Methods for Concluding Comprehensive AML/CFT Assessments and ROSCs**

	<b>Method 1</b>	<b>Method 2</b>
	<b>FATF/FSRB-led Assessments</b>	<b>Fund/Bank Staff-led Assessments</b>
	Cells 1-9	Cells 8 + 9
Preparation of detailed assessments	FATF/FSRBs as part of mutual evaluations	5 + 6 macro relevant and pose a significant AML/CFT risk Experts from the roster financed by others, as part of Fund/Bank Staff-led missions
Review of detailed assessments	FATF/FSRB per current procedures	Fund/Bank staff and experts Fund/Bank
Preparation of ROSC Module	FATF/FSRB using guidance from Fund/Bank and pro forma review	FATF/FSRB Fund/Bank staff integrate findings into ROSC, clearly delineating the responsibility of different assessors
Ex post review		Fund/Bank review of experiences with AML/CFT ROSCs
Additional costs to Fund/Bank <sup>1</sup>	Fund/Bank review of consistency with uniform, voluntary, and cooperative nature of ROSC process	Integration of findings into ROSC; coordination with FATF/FSRBs on assessments of their members
Potential cost savings	Fund/Bank staff would not need to conduct assessments for countries having mutual evaluations.	Potential use of assessments by FATF/FSRBs in preparing FSAP and OFC assessments of their members

<sup>1/</sup> Assuming the costs of experts from the roster for assessments of areas outside Fund/Bank responsibility are paid by their authorities

<b>Table 3. Member's of FATF, FATF-Style Regional Bodies, and the OGBS</b>	
<b>FATF, FATF-Style Regional Bodies, and OGBS</b>	<b>Membership (using Fund terminology)</b>
FATF	Argentina, <sup>9</sup> Australia, <sup>3</sup> Austria, Belgium, Brazil, <sup>9</sup> Canada, Denmark, European Commission, Finland, France, Germany, Greece, Gulf Co-operation Council (Bahrain, <sup>2</sup> Kuwait, Sultanate of Oman, Saudi Arabia, United Arab Emirates, Qatar), Hong Kong SAR <sup>2,3</sup> Iceland, Ireland, Italy, Japan, Luxembourg, Mexico, Kingdom of the Netherlands, New Zealand, Norway, Portugal, Singapore, <sup>2</sup> Spain, Sweden, Switzerland, Turkey, United Kingdom, United States
Asia/Pacific Group on Money Laundering (APG)	Australia, <sup>1</sup> Bangladesh, Taiwan Province of China, Cook Islands, Fiji, Hong Kong SAR, <sup>1,2</sup> India, Indonesia, Japan, <sup>1</sup> Macao SAR, Malaysia, Marshall Islands, Nepal, New Zealand, <sup>1</sup> Niue, Pakistan, Republic of Korea, Palau, Philippines, Samoa, Singapore, <sup>1,2</sup> Sri Lanka, Thailand, United States, <sup>1</sup> Vanuatu <sup>2</sup>
Caribbean Financial Action Task Force (CFATF)	Anguilla, Antigua & Barbuda, Aruba, <sup>2</sup> Bahamas, <sup>2</sup> Barbados, <sup>2</sup> Belize, Bermuda, <sup>2</sup> British Virgin Islands, Cayman Islands, <sup>2</sup> Costa Rica, Dominica, Dominican Republic, Grenada, Haiti, Jamaica, Montserrat, Netherland Antilles, <sup>2</sup> Nicaragua, Panama, <sup>2</sup> St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines, Suriname, Trinidad & Tobago, Turks & Caicos Islands, Venezuela
Council of Europe Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (PC-R-EV)	Albania, Andorra, Armenia, Azerbaijan, Bulgaria, Croatia, Cyprus, <sup>2</sup> Czech Republic, Estonia, Georgia, Hungary, Latvia, Liechtenstein, Lithuania, Malta, <sup>2</sup> Moldova, Poland, Romania, Russian Federation, San Marino, Slovakia, Slovenia, Former Yugoslav Republic of Macedonia, Ukraine
Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) <sup>7</sup>	Botswana, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe
Financial Action Task Force on Money Laundering in South America (GAFISUD)	Argentina, <sup>1</sup> Bolivia, Brazil, <sup>1</sup> Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay
Offshore Group of Banking Supervisors (OGBS) <sup>8</sup>	Aruba, <sup>4</sup> Bahamas, <sup>4</sup> Bahrain, <sup>7</sup> Barbados, <sup>4</sup> Bermuda, <sup>4</sup> Cayman Islands, <sup>4</sup> Cyprus, <sup>5</sup> Gibraltar, Guernsey, Hong Kong SAR, <sup>1,3</sup> Isle of Man, Jersey, Lebanon, Malta, <sup>5</sup> Mauritius, <sup>6</sup> Netherlands Antilles, <sup>4</sup> Panama, <sup>4</sup> Singapore, <sup>1,3</sup> Vanuatu <sup>3</sup>

<sup>1</sup> Also a member of FATF

<sup>2</sup> Also a member of OGBS

<sup>3</sup> Also a member of APG

<sup>4</sup> Also a member of CFATF

<sup>5</sup> Also a member of PC-R-EV

<sup>6</sup> Also a member of ESAAMLG

<sup>7</sup> Member of GCC, which in turn is a member of FATF.

<sup>8</sup> Recognized by FATF as an FSRB although its members, limited to OFCs, do not belong to any one region

<sup>9</sup> Also member of GAFISUD.

**Method 1: FATF/FSRB-Led Assessments**

[December 2002]  
IMF Country Report No. 02/1000

**Country X: Report on Observance of Standards and Codes—FATF Recommendations  
for Anti-Money Laundering and Combating the Financing of Terrorism**

This Report on the Observance of Standards and Codes on the *FATF Recommendations for Anti-Money Laundering and Combating the Financing of Terrorism* was prepared by a team composed of experts from FATF/FSRB member jurisdictions [and FATF Secretariat staff].<sup>1</sup> It is based on the information available at the time it was completed on [November 30 2002]. The views expressed in this document are those of the team members and do not necessarily reflect the views of the Government of Country X or the Executive Board of the IMF. ROSCs do not rate countries' observance of standards or codes or make pass-fail judgments. Consequently, no overall assessment of the effectiveness of the anti-money laundering and combating the financing of terrorism regime is provided.

[Standard language for cover of ROSC]

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<sup>1</sup> [Names of team members and affiliations]

## **Country X: Report on Observance of Standards and Codes—FATF Recommendations for Anti-Money Laundering and Combating the Financing of Terrorism**

### **I. INTRODUCTION**

1. This report provides a summary of the level of observance with the FATF Recommendations for Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT), and provides recommendations for reform which would further strengthen observance.
2. A detailed assessment was prepared by a team of assessors sponsored by the [FATF/FSRB as applicable]. In preparing the assessment, the assessors reviewed the relevant AML/CFT laws and regulations, and supervisory and regulatory systems in place to deter money laundering and financing of terrorism, as well as the capacity and implementation of criminal law enforcement systems.

### **II. MAIN FINDINGS**

3. Describe and assess country practices along the following areas:
  - Laws and regulations as written
  - Prudentially-regulated sectors
  - Non-prudentially-regulated sectors
  - Capacity and implementation of criminal law enforcement systems

### **III. SUMMARY ASSESSMENT AGAINST THE INDIVIDUAL FATF RECOMMENDATIONS<sup>2</sup>**

[Summary would also provide a prioritized list of suggested areas for improvement.]

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<sup>2</sup> Considers the 28 assessable recommendations from the FATF 40 and seven assessable recommendations from the eight Special Recommendations.

## Method 2: Fund/Bank Staff-Led Assessments

[December 2002]  
IMF Country Report No. 02/1000

### **Country X: Report on Observance of Standards and Codes—FATF Recommendations for Anti-Money Laundering and Combating the Financing of Terrorism**

This Report on the Observance of Standards and Codes on the *FATF Recommendations for Anti-Money Laundering and Combating the Financing of Terrorism* was prepared by a team composed of staff of the International Monetary Fund and World Bank and experts under the supervision of Fund and Bank staff, and other experts not under the supervision of Fund and Bank staff who were selected from a roster of experts in the assessment of criminal law enforcement and non-prudentially regulated activities.<sup>1</sup> Fund and Bank staff and other experts under the supervision of Fund and Bank staff are responsible for reviewing the relevant laws and regulations, supervisory and regulatory systems among prudentially regulated financial institutions, and the regulatory systems in place for non-prudentially regulated sectors that are macro-relevant. Other experts not under the supervision of Fund and Bank staff reviewed the regulatory systems in place for other non-prudentially regulated sectors as well as the capacity and implementation of criminal law enforcement systems. The assessment is based on the information available at the time it was completed on [November 30, 2002.] The views expressed in this document are those of the team members and do not necessarily reflect the views of the government of Country X or the Executive Board of the IMF. ROSCs do not rate countries' observance of standards or codes or make pass-fail judgments. Consequently, no overall assessment of the effectiveness of the anti-money laundering and combating the financing of terrorism regime is provided.

[Standard language for cover of ROSC]

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<sup>1</sup> [Names of team members and affiliations]. The roster of experts is based on the names of competent persons identified by the FATF, FSRBs, the United Nations, and the Egmont Group.

## **Country X: Report on Observance of Standards and Codes—FATF Recommendations for Anti-Money Laundering and Combating the Financing of Terrorism**

### **I. INTRODUCTION**

1. This report provides a summary of the level of observance with the FATF Recommendations for Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT), and provides recommendations for reform which would further strengthen observance.
  
2. A detailed assessment was prepared by a team of assessors that included staff of the International Monetary Fund and World Bank and experts under the supervision of Fund and Bank staff, and other experts not under the supervision of Fund and Bank staff who were selected from a roster of experts in the assessment of criminal law enforcement and non-prudentially regulated activities. In preparing the assessment, Fund and Bank staff and other experts under the supervision of Fund and Bank staff reviewed the relevant AML/CFT laws and regulations, and supervisory and regulatory systems in place to deter money laundering and financing of terrorism among prudentially regulated financial institutions. In addition, the Fund and Bank staff and other experts under their supervision reviewed the regulatory systems in place for non-prudentially regulated sectors that are macro-relevant, specifically [e.g., trust and company service providers]. Other experts not under the supervision of Fund and Bank staff reviewed the regulatory systems in place for other non-prudentially regulated sectors, specifically [e.g., bureaux de change, money remitters], as well as the capacity and implementation of criminal law enforcement systems.

### **II. MAIN FINDINGS**

3. Describe and assess country practices along the following areas:
  - Laws and regulations as written (prepared by Fund/Bank staff/experts)
  - Prudentially-regulated sectors (prepared by Fund/Bank staff/experts)
  - Non-prudentially-regulated sectors that are macro relevant (prepared by Fund/Bank staff/experts)
  - Other non-prudentially-regulated sectors (prepared by experts not under the supervision of Fund and Bank staff)
  - Capacity and implementation of criminal law enforcement systems (prepared by experts not under the supervision of Fund and Bank staff).

### **III. SUMMARY ASSESSMENT AGAINST THE INDIVIDUAL FATF RECOMMENDATIONS<sup>2</sup>**

<sup>2</sup> [Summary assessment of individual recommendations with assessors of findings footnoted. Summary would also provide a prioritized list of suggested areas for improvement.]