

INTERNATIONAL ASSESSMENTS OF FIUS

Assessments of AML/CFT frameworks have been carried out since the first round of mutual evaluations of FATF members began in 1992, and FIUs have been included in these assessments from the beginning. A review by the FATF of the first two rounds of mutual evaluations of its members stated that the suspicious-transaction reporting system and its associated FIUs were “the driving force in many anti-money laundering regimes” and that the FIU was “central to the anti-money-laundering efforts of almost all members.”¹⁷⁶ Assessments of AML/CFT regimes, including FIUs, are now being conducted globally on the basis of a recognized set of standards and procedures.

Standards Regarding FIUs

Before the adoption of the 2003 FATF Recommendations, the standard on AML/CFT did not mention FIUs specifically. In certain contexts in the 1996 Recommendations, FIUs were included in the expression “competent authorities.” Nevertheless, as the quotations in the preceding paragraph show, FIUs were considered a key element of the AML/CFT framework. Thus, although no formal standard related specifically to FIUs existed until 2003, AML/CFT assessments took FIUs as a central element in the framework to combat money laundering and the financing of terrorism.

With the endorsement of the *Methodology for Assessing Compliance with Anti-Money Laundering and Combating the Financing of Terrorism Standards* by most institutions with assessing responsibilities in 2002, the assessments were carried out under a methodology that included specific mention of FIUs, although this was not yet formally part of the international standard.¹⁷⁷

¹⁷⁶ FATF, *Review of FATF Anti-Money Laundering Systems and Mutual Evaluation Procedures, 1992–99*, February 16, 2001, paragraphs 67 and 105. Similar statements are contained in the *Review of the Anti-Money Laundering Systems in 22 Council of Europe Member States, 1998–2001*, Strasbourg, March 21, 2002, paragraph 249. (“The FIU is central to the anti-money laundering efforts of most PC-R-EV [now MONEYVAL] members. Indeed, some of the more proactive FIUs, as well as being the disclosure-receiving agencies, are very much the focal point of national anti-money laundering strategies.”)

¹⁷⁷ The methodology endorsed in 2002 and used in the assessments so far integrates the “assessable” FATF Anti-Money Laundering Recommendations and Special Recommendations on
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Originally, the FATF Recommendations concerned only the members of the FATF. Over the years, however, the recommendations have been increasingly recognized as the world standard for anti-money laundering and combating the financing of terrorism. The 1996 Recommendations were adopted by a number of FATF-style regional bodies (FSRBs) and endorsed by the Executive Boards of the IMF and the World Bank for use in the work of these institutions.

In July 2002, the Executive Boards of the IMF and the World Bank conditionally endorsed the FATF Recommendations as the anti-money-laundering and combating the financing of terrorism standard for the operational work of the two institutions. They also endorsed a 12-month pilot program of AML/CFT assessments based on this standard and using the related methodology. Reports on the Observance of Standards and Codes (ROSCs) are prepared on the basis of this standard.

The IMF and World Bank Executive Boards also emphasized that all assessment procedures should be compatible with the uniform, voluntary, and cooperative nature of the ROSC exercise; the assessments would be conducted in accordance with a comprehensive and integrated methodology; and assessments would be followed up with appropriate technical assistance at the request of countries assessed in order to build their institutional capacity and develop their financial sectors.

In March 2004, the Executive Boards of the IMF and the World Bank unconditionally endorsed the 2003 FATF Recommendations as the new standard for use in their work, together with a revised methodology to assess the new standard. As a result, AML/CFT is now a permanent component of the two institutions' work. FSRBs are expected to consider the 2003 Recommendations and Methodology in the course of 2004.

Assessing Compliance with FIU-Related Standards

Under the IMF and World Bank's 12-month pilot program, some 53 assessments were commenced, including some carried out by the IMF and World Bank and others by the FATF and the FSRBs. Under the then-current methodology, assessments were made with regard to 27 of the FATF 40 Recommendations and seven of the Eight Special Recommendations on Terrorist Financing.¹⁷⁸ In decreasing order of compliance, each

Terrorist Financing, as well as the basic principles issued by the Egmont Group regarding FIUs and those issued by the international groups of financial supervisors regarding money laundering.

¹⁷⁸ Some recommendations were not assessed, either because by their nature they were not assessable or because they had not fully come into force. It may also be noted that the assessments

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recommendation was rated as “compliant,” “largely compliant,” “materially noncompliant,” or “noncompliant.”

The data collected in the course of the 41 assessments for which detailed reports were available were analyzed and summarized in a joint IMF-World Bank paper of March 2004.¹⁷⁹ The rating of the cluster of FATF Recommendations of greatest interest to FIUs was generally high. Taken together, compliance with Recommendations 16 (legal protection for bona fide reports), 17 (prohibition against tipping off), and 18 (compliance with instructions) was very high, with 88 percent, 86 percent, and 76 percent, of jurisdictions, respectively, rated “compliant.”¹⁸⁰

Implementation of the Special Recommendations on Terrorist Financing has lagged behind those related to money laundering. For example, 68 percent of the jurisdictions were assessed as either “compliant” or “largely compliant” with Recommendation 15 on the reporting of suspicious transactions, while 22 percent were rated “materially noncompliant” and 10 percent were rated “noncompliant.” In contrast, only 59 percent of the jurisdictions were rated “compliant” or “largely compliant” with Special Recommendation VII on reporting transactions suspected of being related to terrorist financing, while 13 percent were rated “materially noncompliant” and 28 percent were rated “noncompliant.”

Other findings relating to FIUs concerned the independence of the FIU, its staffing, clarifying its role vis-à-vis supervisors, strengthening its organizational structure, providing it with wider access to official databases, improving the training and skills of FIU staff, and developing management-reporting systems to monitor the effectiveness of the FIU.

Concurrently with the carrying out of those IMF assessments, the Fund, the World Bank, and other institutions provided considerable technical assistance to countries wishing to strengthen their AML/CFT frameworks. The technical assistance provided by the IMF and the World Bank in this area increased sharply during the two-year period extending from January 2002 through December 2003. During that time, the two organizations delivered 117 technical assistance projects, including 85 projects directly to individual countries and 32 regional projects reaching more than 130 countries.¹⁸¹ The

reviewed under the pilot program, which were based on the 1996 FATF Recommendations, did not cover the collection of statistics discussed in the preceding chapter, since there was no FATF recommendation on this point until the adoption of the 2003 Recommendations.

¹⁷⁹ International Monetary Fund and World Bank, 2004, *Twelve-Month Pilot Program of Anti-Money-Laundering and Combating the Financing of Terrorism (AML/CFT) Assessments*, March 10 (Washington), Annex II.

¹⁸⁰ *Id.*, Annex II, Table 6.

¹⁸¹ *Id.*, paragraph 18.

increase in technical assistance activity was spurred, in large part, by the assessments, which provide national authorities with a diagnostic tool to identify their countries' technical assistance needs. More than one-quarter of the technical assistance projects consisted of providing different forms of advice on the establishment and strengthening of FIUs.