POLICY BRIEF

Lessons Learned from the Fourth Round of Mutual Evaluations

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EXECUTIVE SUMMARY

In February 2022, the Financial Action Taskforce (FATF) – the global standard setter for countering money laundering, terrorist financing (TF) and proliferation financing (PF) – will conclude its Strategic Review.\(^1\) The Strategic Review is an exercise which analyses what can be learned from the latest, fourth round of mutual evaluations and considers what could be improved ahead of the fifth round, which is due to start in 2025.\(^2\)

The mutual evaluation (ME) is a cornerstone of the international framework to combat financial crime. It is a multi-year, peer-review process where the robustness of a jurisdiction’s anti-financial crime framework is analysed for both its technical compliance with the FATF Standards and its overall effectiveness at combating financial crime. The product of the ME is the mutual evaluation report (MER), a highly influential document that sets out the findings of the assessment team.

Given the importance of the ME, the process for conducting one is detailed and resource intensive for the jurisdiction being assessed. Jurisdictions must not only have their anti-financial crime ‘house in order’ but must also be prepared for what is a long, multi-stage process requiring input from a wide range of national stakeholders. The ME should allow jurisdictions to showcase the strengths of their anti-financial crime system, but the practical burden it places on them and their governments can mask progress with pain.

To better understand the practical challenges that jurisdictions face when undergoing an ME and the impact these can have on their evaluation, this Policy Brief summarises findings from 25 virtual interviews conducted with leading experts. To overcome identified challenges, this brief makes a set of recommendations which the FATF, FATF-style regional bodies (FSRBs) and jurisdictions themselves should consider ahead of the fifth round of MEs. The recommendations are grouped to address four key areas where

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2. This date could be subject to change.
j urisdictions face challenges: language; national coordination and experience; demonstrating effectiveness; and the level of support offered by FSRBs.

LANGUAGE

• FATF member states should fund the translation of the core documents.
• With the support of member states, the FATF Secretariat should create a plain-English document explaining the ME process, its purpose and basic logistics aimed at all jurisdictions.
• The FATF and FSRB Secretariats should provide greater support to jurisdictions whose MEs are conducted in a foreign language.

NATIONAL COORDINATION AND EXPERIENCE

• In jurisdictions where the importance of having a robust anti-money-laundering (AML), counter-TF (CTF) and counter-PF (CPF) system in place is less understood, FSRB Secretariats, member states and members of the donor community should help foster political will around an ME.
• Pre-ME training should be reviewed by the FATF and FSRB Secretariats in association with member states and improved where necessary.
• The donor community should explore how they can support lower-capacity jurisdictions in training more ME assessors.

DEMONSTRATING EFFECTIVENESS

• The FATF and FSRB Secretariats and members of the international and donor community must continue to reinforce that understanding risk is a dynamic and ongoing process and should not rely solely on producing a national risk assessment.
• The FATF and FSRBs should review the guidance on gathering data to demonstrate effectiveness and consider whether the steer that they provide to jurisdictions on what data to collect is sufficient.

LEVEL OF SUPPORT PROVIDED BY A JURISDICTION’S FSRB

• FATF member states should continue and expand their support of the FATF Global Network to ensure that the FSRB Secretariats have the resources they need to perform their role and enable the ME process.

INTRODUCTION

In February 2022, the FATF will finalise its 18-month-long Strategic Review. The Strategic Review is an exercise which analyses what can be learned from the latest round of MEs and considers what could be improved ahead of the fifth round, which is due to start in 2025.
The ME is a crucial element of the international fight against financial crime. It establishes how committed and effective a jurisdiction is at tackling financial crime and produces a publicly available report detailing its findings, which helps to inform the anti-financial crime compliance practices of the private sector. A ‘bad mark’ in the ME demonstrates that financial crime is not being effectively tackled and can have negative impacts on a jurisdiction’s economy and reputation. A ‘good mark’, on the other hand, will reassure other jurisdictions and banking partners of the solidity of the assessed jurisdiction’s response to financial crime.

Achieving a ‘good mark’ depends on more than just the robustness of a jurisdiction’s AML/CTF/CPF framework. It also reflects its ability to cope with the ME process itself. This involves a resource-intensive exercise with several stages, requiring years of preparation, a multi-week onsite visit by an assessor team and a range of follow-up activities. All these can place a considerable strain on jurisdictions and their governments.

As the FATF undertakes its own evaluation of this process via the Strategic Review, the authors of this Policy Brief have sought to conduct a complementary exercise. They have set out to consider whether jurisdictions experience common practical challenges during the ME process, how they impact the outcome of their ME and whether these challenges can be overcome to ensure that they do not distract from the ME’s core purpose – determining the effectiveness of a jurisdiction’s anti-financial crime regime. In doing so, they hope to supplement the study undertaken by the FATF and demonstrate that in addition to being a technical exercise, the ME is also a practical one.

This Policy Brief is formed of two parts. The first defines and explains the importance of an ME. The second reviews the common challenges identified by interviewees that jurisdictions experienced in the fourth round of MEs and suggests how these could be overcome. It concludes by setting out what the FATF, the FSRBs and member jurisdictions must do to improve ahead of the fifth round.

**METHODOLOGY**

This brief’s findings were informed by a literature review and 25 semi-structured interviews. The literature review was based on the very limited literature found in the public domain. This included documents on the FATF and FSRB websites which cover the ME process, as well as resources provided by other international organisations and NGOs.

The literature review was supplemented by 25 semi-structured interviews held between October and December 2021. These interviews were virtual and exclusively in English. Interviewees were selected to represent the stakeholders typically involved in the ME process. This included recently assessed jurisdictions, current and former assessors, FSRB Secretariats, private consultants and members of the development community.
Interviewees represented the views of both lower- and higher-capacity jurisdictions.

DISCLAIMER

The conclusions in this brief are drawn on the basis of the individual views and perceptions of the selected interviewees and should not be considered to represent an exhaustive list of the challenges or optimisations of the ME process. Nevertheless, they provide important perspectives that should be considered by the FATF as it concludes its Strategic Review and by member states as they prepare for the fifth round.

THE PROCESS AND IMPORTANCE OF A MUTUAL EVALUATION

WHAT IS A MUTUAL EVALUATION?

An ME is an in-depth exercise that analyses the implementation and effectiveness of measures to combat financial crimes by a jurisdiction, its regulators and private sector.\(^3\) Occurring roughly once every 10 years, the ME culminates in a MER which provides a detailed account of the assessment team’s findings.\(^4\)

While all MEs are guided by the FATF methodology, they do vary depending on where they are conducted.\(^5\) The extent to which they vary depends on whether they are carried out by the FATF or one of the nine FSRBs. The FSRBs are semi-autonomous assessor bodies that have their own secretariats but operate under the FATF-led ‘high level principles and objectives’.\(^6\) Their activities include the coordination of assessments and follow-up procedures and the training of both assessors and soon-to-be-assessed jurisdictions. The variations in FSRBs will be explored in more detail later in this brief. Below is a generalised summary of the ME process.

The ME process begins with the jurisdiction undergoing assessment receiving training on what to expect. They are also sent a questionnaire to gather basic data on the jurisdiction’s AML/CTF/CPF landscape and infrastructure. These

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4. Ibid.
activities are carried out by the secretariat that will oversee the evaluation. The secretariats coordinate the ME and act as the bridge between the assessment team and the assessed jurisdiction.

The selection of the assessment team is the next step in the ME process. Assessors are specially trained individuals who are drawn from an assessed jurisdiction’s peers or international organisations, such as the International Monetary Fund (IMF). Assessors are selected depending on their experience, and each team will include individuals with law enforcement, financial, legal and supervisory expertise.

Once selected, the assessors conduct a technical review of the laws and regulations in a jurisdiction to measure compliance with the technical standards of the FATF’s 40 Recommendations. This is followed by a ‘scoping note’ on the jurisdiction’s AML/CTF/CPF landscape, which is informed by their own research and the jurisdiction’s responses to the questionnaire.

The main event of the ME is the ‘onsite visit’, which usually lasts for two weeks. The assessor team visits the jurisdiction to witness how the FATF Standards are being implemented in practice. The onus is placed on the jurisdiction to demonstrate that it has complied with the standards and that its AML/CTF/CPF regime is effective. During the onsite visit, the assessor team will meet with a range of relevant stakeholders from the public and private sector.

The outcome of the questionnaire, scoping note and onsite visit is the MER. This is normally around 200 pages and is initially shared with the assessed jurisdiction for comment. A draft is then debated at a FATF or FSRB (depending on which the jurisdiction is a member of) plenary where peers are invited to comment on the findings in the report. Once all jurisdictions are in agreement, the MER is adopted along with a follow-up plan for the jurisdiction, listing how it should remediate any identified weaknesses.

In general, the assessment team will require around 18 months to complete this entire process. Jurisdictions undergoing assessment, however, should begin preparations years in advance and may require assistance from donors, international organisations or private consultants to prepare.

7. International Monetary Fund (IMF) assessors take part in a small number of MEs and, in some cases, lead the ME assessment. In the past, the World Bank also provided professional assessors for MEs.

8. For more details on the FATF’s global network, see FATF, ‘High-Level Principles and Objectives for FATF and FATF-Style Regional Bodies’.

WHY IS IT IMPORTANT?

The importance of the ME lies in its level of influence on other jurisdictions and international banking partners. Poor performance can result in a jurisdiction entering the FATF's International Co-Operation Review Group (ICRG) process, which produces a tri-annual list of jurisdictions who have been identified as having strategic deficiencies. These lists have considerable impact on financial institutions worldwide, who have to be more cautious in their engagement with listed jurisdictions. A positive MER can be beneficial for a jurisdiction, signalling to those who wish to interact with it that it takes combating financial crime seriously.

The ME also offers an important opportunity for the jurisdiction undergoing assessment to audit and strengthen its response to financial crime. The ME process should create considerable momentum in a jurisdiction around tackling financial crime and should raise awareness of the topic outside government departments that work on these issues every day right to the top levels of government.

THE NECESSARY FOUNDATIONS FOR SUCCESS

‘Doing well’ requires more than just a strong legal and institutional AML/CTF/CPF framework to be in place. It also requires certain pre-requisites, listed in the FATF methodology, such as political and institutional stability. The acknowledgement of these pre-requisites is important. They recognise that the implementation of the FATF Standards in a jurisdiction does not exist in a vacuum, but in the realities of the real world where corruption, a lack of development and force majeures can all hinder the proper implementation of the FATF framework.

As the fourth round of evaluations draws to a close, it is useful to consider how these pre-requisites and other practical challenges that are not listed in the methodology have affected jurisdictions as they have undergone an ME and tried to implement the FATF Standards. With a greater appreciation of these practical challenges, jurisdictions and their assessment body can better prepare for the fifth round of MEs.

12. In this Policy Brief, ‘doing well’ refers to when a jurisdiction achieves a high number of ‘compliant’ or ‘largely compliant’ ratings for their implementation of the FATF 40 Recommendations. In addition, they are found to have a level of effectiveness in line with their materiality to the international financial system.
CHALLENGES AND RECOMMENDATIONS

This section explores the four practical challenges most cited by interviewees that jurisdictions faced as they underwent an ME in the fourth round, and offers recommendations for how to overcome them.

1. LANGUAGE

For any jurisdiction implementing the FATF Standards and undergoing an ME, having a strong understanding and correct interpretation of the FATF Standards is of fundamental importance. This understanding can be built from the resources that underpin the FATF framework, such as the Standards, guidance papers, methodology and procedure documents, and in interactions with the assessment team. However, a problem for a number of jurisdictions is that these documents are predominantly in English or French (with a few notable exceptions), and assessments are carried out in only a few languages.

CORE DOCUMENTS

Most interviewees explained that the lack of non-English official translations of the core documents presents a considerable challenge for non-English-speaking jurisdictions. Representatives of a recently assessed jurisdiction explained that without translations, an inexperienced or first-time team will struggle to correctly interpret the methodology and are likely to do so differently from the assessors. It was commented that the nuance that exists in the FATF framework, especially in the Immediate Outcomes, is hard to translate but essential to understanding the expectations of the assessment team.

Language might also be a challenge when changes occur to the FATF Standards – for example, to clarify a requirement or mitigate an unintended consequence. One interviewee reported that they had witnessed a country preparing for an ME using an outdated version of Recommendation 8 because this was the only version they had in their local language.

The FATF tries to counter the lack of translated (or poorly translated) documents by requesting that these are verified for accuracy by the Secretariat. However, this process can take over 18 months and was seen by interviewees to be unnecessarily difficult and unhelpful, especially if in

14. It should be noted that this is not an exhaustive list of challenges but captures the ones most discussed by interviewees.
17. Authors’ virtual interview with representative from NGO B, 19 October 2021.
that time jurisdictions undergo an ME with an outdated understanding of the requirements.\textsuperscript{18}

**ASSESSOR TEAM**

Another issue that arises from language barriers is when assessors do not speak the same language as the jurisdiction they are assessing.\textsuperscript{19} Technical documents needed for the ME, such as laws and accompanying regulations, can lose their nuances during the translation process, leaving assessors with a confused understanding of a jurisdiction’s framework. In addition, requests for information made during an onsite visit that require translation can slow communication between the assessor team and the jurisdiction, which can frustrate the ME process.\textsuperscript{20}

Essentially, the FATF framework is highly technical and steeped in nuances. If jurisdictions do not have adequate fluency in technical English, they will be at a disadvantage in terms of understanding the core requirements of the ME process, and will have to budget for the time and money needed for translations.

It must be noted that English-speaking jurisdictions still struggle with implementing the FATF Standards and undergoing an ME, which indicates that – in addition to ensuring they have the correct controls in place and adequate language capabilities – further practical challenges exist in the ME process.\textsuperscript{21}

**RECOMMENDATIONS**

- FATF member states should fund the translation of core documents. The process for translating additional documents, such as new guidance papers, should be streamlined. This is especially important following an update to the Standards that corrects an unintended consequence.\textsuperscript{22}

- With the support of member states, the FATF Secretariat should create a plain-English document explaining the ME process, its purpose and basic logistics aimed at all jurisdictions. This could be used by jurisdictions to communicate the ME process to their national stakeholders, especially those who have not interacted with the FATF before.

- The FATF and FSRB Secretariats should provide more support when MEs are conducted in a foreign language. When an ME is conducted

\textsuperscript{18} Ibid.

\textsuperscript{19} Ibid.

\textsuperscript{20} Authors’ virtual interview with Financial Institution A, 28 October 2021; authors’ virtual interview with Consultant C, 13 October 2021.

\textsuperscript{21} Authors’ virtual interview with a representative from FATF/FSRB F, 16 December 2021.

\textsuperscript{22} Interviewees expressed concern regarding Recommendation 8 and the versions of this Recommendation that continue to circulate despite being formally updated in 2016.
in a language that is not widely spoken in the jurisdiction, assessors should give greater guidance ahead of the onsite visit on what they require and what should be translated.

2. NATIONAL CAPACITY, COORDINATION AND EXPERIENCE

National capacity and coordination among government agencies is crucial when undergoing an ME. However, gathering the necessary expertise can be hindered by several practical challenges. According to interviewees, jurisdictions with more instability, weaker institutional frameworks and large staff turnover are at a disadvantage in terms of knowledge and experience dealing with the ME process.\(^{23}\)

**Political Will**

The underlying issue behind national capacity is the level of political will in a jurisdiction to improve its AML/CTF/CPF framework, which in turn affects the readiness of the competent authorities to participate in the ME process and dedicate financial and human resources to it.\(^{24}\) Political will to sufficiently resource the ME process can be challenged by competing priorities in government and law enforcement agencies, or simply by a lack of understanding of the importance of the process for a jurisdiction.\(^{25}\) For example, it was noted by several interviewees that some jurisdictions send more junior staff to the FATF/FSRB meetings and pre-ME training, who – although they personally benefit – are less effective at taking back learnings and actioning them at a high enough level to benefit the ME.\(^{26}\) Conversely, the actions of GAFILAT, the FSRB for South America, to help foster political will within its membership were commended by several interviewees.\(^{27}\) To overcome lacklustre political commitment to the ME process, senior members of GAFILAT visit jurisdictions at least one year ahead of their ME and meet with political elites to educate them on the importance of the ME process.

**Difficulties in Coordination**

It was reported that lower-capacity jurisdictions can struggle with national coordination by not having the pre-existing mechanisms in place to bring together the large number of stakeholders needed to perform an effective ME. When state agencies fail to coordinate, they are unlikely to build a cohesive narrative of a jurisdiction’s application of the FATF Standards, thus making it difficult for assessors to determine effectiveness.\(^{28}\) Difficulties in national coordination can also stem from a lack of trust between different

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24. Authors’ virtual interview with representatives from National Agency A.
25. Authors’ virtual interview with representative from FATF/FSRB A, 8 October 2021.
27. Authors’ virtual interview with Consultant F.
28. Authors’ virtual interview with representative from FATF/FSRB A; authors’ interview with representative from FATF/FSRB B.
government agencies, which can make them reluctant to share information. The FATF Standards, specifically Recommendation 2, provide a framework for national cooperation and coordination. However, this framework does not always sit well with the cultural realities of a jurisdiction.

Experience of the FATF Process

Undergoing an ME can be made less challenging depending on the level of experience a jurisdiction has with the FATF process. This experience stems from the level of training they receive, their membership (or not) of the FATF and how experienced their own assessors are.

At a minimum, all jurisdictions receive training ahead of the ME, but this varies across FSRBs and can take place from six months to a few weeks before an onsite visit. Interviewees spoke about how this training is often too late and should occur further in advance. One problem that emanates from a lack of training is that jurisdictions can underestimate how much time and resources it takes to prepare for an ME. This is made worse by a lack of information on how many staff hours it takes. One interviewee reported that one high-capacity country, with medium-high global financial influence, has 17 permanent members of their civil service working on the ME, but other than anecdotal reports, very little hard data on ME staff hours exists.

Beyond the level of training, jurisdictions with greater exposure to the FATF process are more likely to ‘speak FATF’ and know how to ‘play the game’. Jurisdictions with less exposure to the FATF who are not a member are at a disadvantage in terms of navigating the FATF methodology and ME process. Although all jurisdictions have access to the FATF plenary documents via an online portal, and FSRB Secretariats attend FATF plenaries, it was felt by some interviewees that jurisdictions ‘outside of the room’ miss out on insights gained through conversations around the evolving expectations of assessors and the development of new guidance documents.

A crucial resource highlighted by interviewees for navigating the ME is a jurisdiction’s own trained assessors. National assessors should have a greater understanding of the complexity of the FATF methodology and how they will be evaluated. Jurisdictions with a high number of trained assessors will benefit from this resource the most. Lower-capacity jurisdictions, however, will tend to have fewer trained assessors as the training takes skilled civil servants away from their jobs, as do the assessments they will then carry out, requiring their involvement for

29. Authors’ virtual interview with representative from National Agency A.
30. Authors’ virtual interview with representative from FATF/FSRB B.
31. Authors’ virtual interview with representatives from NGO B.
32. Authors’ virtual interview with Financial Institution A.
33. Authors’ virtual interview with representative from Financial Institution A; authors’ virtual interview with representative from Government A.
34. Authors’ virtual interview with Consultant B, 12 October 2021.
roughly 18 months, which in smaller jurisdictions may not be realistic. A jurisdiction can also benefit from calling on those who led or participated in their third-round ME, but this is not consistently done based on the reports of interviewees.

**Recommendations**

- In jurisdictions where the importance of having a robust AML/CTF/CPF system in place is less understood, FSRB Secretariats, member states and members of the donor community should help foster political will around an ME. These efforts should take place at least one year ahead of the ME and involve meetings with high-level officials.
- Pre-ME training should be reviewed by the FATF and FSRB Secretariats in association with member states and improved where necessary. This should set expectations on how long an ME will take and the level of political will that is required and provide best practices for national coordination.
- The donor community should explore how they can support lower-capacity jurisdictions in training more assessors.

### 3. DEMONSTRATING EFFECTIVENESS

In 2013, a new FATF methodology was adopted. It included a new ‘effectiveness rating’, which built on the ‘technical compliance’ rating where jurisdictions were judged on whether they had correctly transposed the FATF Standards into law. As stated in the updated methodology, ‘the goal of an assessment of effectiveness is to provide an appreciation of the whole of the country’s AML/CFT system and how well it works … i.e., whether the key objectives of an AML/CFT system, in line with the FATF Standards, are being effectively met in practice’.

The effectiveness component of the mutual evaluation has, according to interviewees, created three main challenges for jurisdictions undergoing assessment:

1. Demonstrating effectiveness relies on understanding the risk a jurisdiction is exposed to.
2. Being able to show a trend that identified risks are being mitigated.
3. Knowing how to communicate this effectively to an assessment team.

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35. Authors’ virtual interview with representative of FATF/FSRB F.
36. Authors’ virtual interviews with representatives from National Agency A; authors’ virtual interview with representative from Think Tank A, 27 October 2021.
37. FATF, ‘Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems’, p. 15.
Understanding Risk

The act of understanding a country’s risk of ML, TF and PF lies at the centre of the FATF Standards. This is one of the most challenging elements of the framework.\(^\text{38}\)

To demonstrate an understanding of risk, it has become commonplace for jurisdictions to produce a national risk assessment (NRA), although this is not an actual requirement of the FATF Standards.\(^\text{39}\) Interviewees reported several issues with NRAs as a way of understanding risk – namely, that many jurisdictions may simply not know how to perform an NRA.\(^\text{40}\) To assist them, the World Bank and the IMF have created risk-assessment methodologies, which – although useful – are criticised for being data and resource intensive, expensive and not always reflective of a jurisdiction’s context. Crucially, it was reported that, for some jurisdictions, the focus of these assessments has become the output – a physical NRA document – and not the outcome, which is that policymakers, law enforcement and regulated sectors possess a solid and holistic understanding of the jurisdiction’s financial crime risk exposure.\(^\text{41}\) Without this understanding, risk can never be shown to be effectively mitigated as the inherent risk is never properly understood by the jurisdiction, leaving them at a considerable disadvantage.

Gathering Data

The next step in demonstrating effectiveness is using data to show that risk is being successfully mitigated over time through the development of trends. However, gathering this data requires a jurisdiction to have a culture of documentation that spans at least five years.\(^\text{42}\) In lower-capacity jurisdictions, such a culture is not always present.\(^\text{43}\) Even when this level of documentation is in place, the data that the assessors want to see may not have been collected.

Interviewees expressed that although the methodology, procedures, and data and statistics guidance do provide some examples of datasets that jurisdictions should prepare,\(^\text{44}\) these only provide the ‘bare minimum’ of the data that assessors may expect to see. It was noted that while these may establish technical compliance, they do not guarantee that effectiveness is

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38. Only two out of the 118 countries that have been evaluated as of 30 November 2021 were evaluated as ‘highly effective’ on Immediate Outcome 1.
39. Authors’ virtual interview with Consultant E, 14 October 2021; authors’ virtual interview with representative from Government A.
40. Authors’ virtual interviews with representatives from NGO E, 27 November 2021.
41. Authors’ virtual interview with Consultant C; authors’ virtual interviews with representatives from International Organisation A, 18 October 2021; authors’ virtual interview with representative from NGO C, 21 October 2021.
42. Interviewees gave various timespans for how long data should be collected – the timespan which was viewed as most beneficial was at least five years.
43. Authors’ virtual interview with representative from NGO B.
being displayed. However, interviewees explained that jurisdictions often think they have ‘done enough’ in collecting data based on these resources.\textsuperscript{45} In addition, interviewees conveyed a specific frustration with criminal justice data – where, for example, a lack of successful TF prosecutions may be interpreted by assessors as indicating an ineffective system when, in fact, it may just show a lack of TF.\textsuperscript{46}

The importance of data in demonstrating effectiveness was summarised by representatives of one recently assessed country who stated that their greatest learning from the ME process was the importance of having a structured data-collection process in place.\textsuperscript{47}

**COMMUNICATING EFFECTIVENESS**

Knowing how to present information on effectiveness to assessor teams was noted by several interviewees as another challenge, especially for non-FATF jurisdictions. Impactful presentation of information stems from a jurisdiction’s ability to both ‘speak FATF’ (in addition to English)\textsuperscript{48} and to build a consistent narrative around how financial crime is being tackled in the jurisdiction, using data as the evidence base.

Communication of effectiveness occurs primarily during the onsite visit and the face-to-face meeting with the assessment team. Some jurisdictions employ consultants or work with donors to perform mock interviews ahead of their onsite visit to prepare for this element of the ME. Mock interviews were noted as being beneficial, especially if they are started some time ahead of the onsite visit and are given to those who are less ‘fluent in FATF’.\textsuperscript{49} However, it was noted that ‘overcoaching’\textsuperscript{50} can lead assessors to become frustrated with clearly ‘scripted’ responses, as can a clear lack of preparation revealed through inconsistent messaging across interviews.\textsuperscript{51} It was also noted that shadow or self-assessments can be a useful way of establishing a holistic understanding of the effectiveness of a jurisdiction’s AML/CTF/CPF regimes prior to an onsite visit. However, there is limited data on how widespread the use of shadow or self-assessments has been to date.\textsuperscript{52}

\textsuperscript{45.} Authors’ virtual interview with representative from Government B.
\textsuperscript{46.} Authors’ virtual interview with Consultant D, 12 October 2021.
\textsuperscript{47.} Authors’ virtual interview with representative from Government B.
\textsuperscript{48.} Authors’ virtual interview with representative from Think Tank A.
\textsuperscript{49.} Authors’ virtual interview with representative from Government B; authors’ virtual interview with representatives from NGO E.
\textsuperscript{50.} Authors’ virtual interview with representatives from FATF/FSRB C, 4 November 2021.
\textsuperscript{51.} Authors’ virtual interview with representative from Government A.
\textsuperscript{52.} Authors’ virtual interview with Consultant B; authors’ virtual interview with Consultant F.
The face-to-face meetings, working group and plenary discussion where an MER is finalised are also important opportunities for jurisdictions to convince assessors and their peers of their effectiveness. Here, it was reported that jurisdictions with more experience of diplomacy and multilateral negotiation are at a considerable advantage, as little guidance exists on how to use the working group and plenary discussion in a beneficial way.

RECOMMENDATIONS

• The FATF and FSRB Secretariats and members of the international and donor community must continue to reinforce that understanding risk is a dynamic and ongoing process and should not rely solely on producing a national risk assessment.
• The FATF and FSRBs should review the guidance on gathering data to demonstrate effectiveness and consider whether the steer they provide jurisdictions on what data to collect is sufficient.

4. LEVEL OF SUPPORT PROVIDED BY FSRBS

The FATF conducts the MEs of its 39 member states. The MEs of the other 159 jurisdictions are led by one of the nine FSRBs, the IMF or the World Bank.

The FSRBs are semi-autonomous assessor bodies that have their own secretariats but operate under the FATF-led ‘high level principles and objectives’. Their activities include the coordination of assessments and follow-up procedures which must be carried out under the universal procedures, the training of assessors and soon-to-be-assessed jurisdictions, and should also identify and address region-specific financial crime threats. In addition, FSRBs can also coordinate the provision of technical assistance in their region.

Interviewees acknowledged that the FSRBs play an important role within the ME process as educators and coordinators. However, it was also identified that they can be restricted by practical challenges.

53. Authors’ virtual interview with representative from Financial Institution A; authors’ virtual interview with representatives from Government A.
54. Authors’ virtual interview with representative from Government B.
55. FATF, ‘High-Level Principles and Objectives for FATF and FATF-Style Regional Bodies’.
57. At present, only the APG performs the function of coordinating technical assistance in its region.
COMPOSITION OF MEMBERSHIP

The first challenge highlighted by the interviewees in relation to FSRBs was their membership composition. The more diverse the membership, the more operational and practical challenges an FSRB Secretariat is likely to face.58

Here, once again, language is a considerable challenge. For example, GAFILAT enjoys a membership where only two languages are spoken across all member states, which allows it to conduct all MEs in Spanish. On the other hand, APG (the FSRB for the Asia/Pacific region) and even the FATF itself have memberships where at least 10 languages are spoken, triggering the challenges discussed earlier regarding assessor teams who carry out these assessments in English or French.59

In addition to the number of languages spoken within an FSRB, the secretariats have to contend with how committed their memberships are to the FATF framework and how sophisticated the level of knowledge is within each jurisdiction on the FATF Standards.60 If jurisdictions are less committed to the framework, it is more likely that there will be friction between the jurisdiction, the assessor team and the FSRB Secretariat who are trying to coordinate all parties during an assessment, which can disrupt the ME process.61

The level of AML/CTF/CPF proficiency within an FSRB’s membership is also important. Member states must put forward individuals to become trained assessors who will carry out the MEs of other jurisdictions. If more experienced individuals are put forward, a higher quality of assessor – and ultimately assessment – can be expected.62 It was reported by several interviewees that newer and less experienced assessors tend to employ a more rigid interpretation of the FATF Standards, which can be overly harsh on the jurisdiction undergoing assessment.63 The quality of the final discussion of an MER at an FSRB plenary will also depend on the rigour applied to it by fellow states – and this depends on the depth of their understanding of the FATF framework.64

LEVEL OF ASSISTANCE

The next challenge highlighted by interviewees was the attitude of the different FSRBs to the level of assistance they can provide jurisdictions during an ME, outside their core role as coordinators, between the assessed
jurisdiction and the assessor team. Interviewees fell into two broad camps: those who believe that FSRBs are assessment bodies and thus should not be involved in coaching jurisdictions to pass an exam that they will grade; and those who believe that there is little benefit in ‘taking countries by surprise’. For the latter, particular areas of note included: helping jurisdictions to galvanise political support for the process years in advance, such as that provided by GAFILAT; and coordinating technical assistance both before and after an ME has occurred. The tireless work of APG in this field was widely commended by interviewees.

Both camps agreed that the level of training received by assessors and jurisdictions from FSRBs in the fourth round was not sufficient. It was reported that more training would have been welcomed to give jurisdictions a greater understanding of the heavy lifting required, and that this training should have been given as far in advance as possible. It was also noted that the FSRBs must do more to train assessors when revisions occur to the Standards and new guidance is introduced.

RECOMMENDATIONS

- FATF member states should continue and expand their support of the FATF Global Network to ensure that the FSRB Secretariats have the resources they need to perform their role and enable the ME process.

CONCLUSION

As the FATF undertakes its own evaluation of the ME process via the Strategic Review, the authors of this Policy Brief have sought to conduct a complementary exercise – considering the practical challenges that jurisdictions have faced as they strive to complete their fourth-round ME.

There are several areas where the FATF and FSRBs could make the ME process simpler for all jurisdictions. These include: correcting language imbalances; assisting with national coordination; clarifying how to demonstrate effectiveness; and refining the role of FSRBs in supporting their member states in the ME process. After all, as pointed out by one interviewee, the purpose of the ME is to help jurisdictions have a stronger system. It should not break the jurisdiction in the process.

65. Authors’ virtual interview with Consultant A; authors’ virtual interview with Consultant D.
66. Authors’ virtual interview with representatives from FATF/FSRB C.
67. Authors’ virtual interview with Consultant D; authors’ virtual interview with Consultant E; authors’ virtual interview with representative from NGO C.
68. Authors’ virtual interview with representatives from Government A; authors’ virtual interview with representatives from FATF/FSRB B.
70. Ibid.
The responsibility for smoothing the practical challenges of the ME does not fall solely on the FATF and FSRB Secretariats. To reap the benefits of a successful fifth-round ME, it will be up to jurisdictions to ensure that they not only have a robust AML/CTF/CPF system in place, but they also commit to the process with political will, sufficient time and the necessary resources.

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