

CARIBBEAN FINANCIAL ACTION TASK FORCE



**CFATF ICRG PROCEDURES FOR THE  
4th ROUND OF AML/CFT  
EVALUATIONS**

*As amended in May 2019*

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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 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 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<sup>3</sup>), the Financial Action Task Force International Co-operation Review Group (FATF ICRG) Procedures for Fourth Round of Mutual Evaluations (FATF ICRG Procedures) and the Fourth Round FATF ICRG Procedures Guidelines.

### **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 an 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 compliance 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

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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> See ANNEX A - CFATF Procedures for the Fourth Round of AML/CFT Mutual Evaluations (CFATF Procedures) – Section XII

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>4</sup> process is heavily rigorous and would have severe 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>5</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 (JG) 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 Fourth Round FATF ICRG Procedures Guidelines 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. Consider follow-up reports of all CFATF members and make recommendations to plenary;
  - ii. Assisting CFATF members that meet the FATF ICRG entry criteria; and
  - iii. Collaborating with the FATF ICRG and the Joint Groups.

### **III. FOLLOW-UP PROCESS<sup>6</sup>**

10. The CFATF's Follow-Up Process is at Section XII of the CFATF Procedures and as indicated in paragraph 78 of such Procedures, is intended to: (i) encourage members' implementation of the FATF Standards; (ii) provide regular monitoring and up-to-date information on countries'

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<sup>4</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."

<sup>5</sup> See ANNEX B – FATF ICRG Process Flowchart.

<sup>6</sup> See ANNEX C – CFATF Follow-up process Flowchart.

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>7</sup>.

11. If a country, whether on regular or enhanced follow-up, decides to seek Re-ratings for technical compliance, as indicated on paragraph 90 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 Secretariat to determine the number of Experts (the “Group of Experts”) that will be required to participate and make the necessary arrangements prior to the country’s submission.
12. When the country submits the information that will be considered for re-rating (at least six (6) months in advance of Plenary meeting at which the report will be presented), the laws, policies, procedures or other enforceable means should be in full force and in effect. Any further amendments will not be taken into consideration by the Group of Experts and the Secretariat after that time for the purposes of re-ratings but may be included solely for information purposes. However, the country will be able to provide clarifications regarding the information submitted prior to the pre-plenary review process.
13. The information that the Group of Experts 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. The country will also have to submit the Analytical Tool when a Recommendation has been revised after the country’s on-site visit even if a re-rating is not being sought for that particular recommendation. The CFATF publication policy for FURs is in paragraph 96 of the CFATF Procedures, which establishes that the analytical tool will not be for publication. The FUR which will be published after the process of the same paragraph is concluded will be in the format of the standardised template<sup>9</sup>.
14. The information on effectiveness and other recommendations where re-rating is not sought (and have been revised after the jurisdiction’s on-site visit), will also have to be provided to the Secretariat six (6) months before the Plenary where the Report will be discussed. This information and its attachments will be considered solely by the Secretariat.

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

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<sup>7</sup> See ANNEX D – TC Re-ratings process Flowchart.

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

<sup>9</sup> See ANNEX F – Standardised follow-up report publication format (for publication)

15. 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 the jurisdiction. 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.
16. Where a jurisdiction, after the adoption of the MER, meets the entry but falls below the ICRG prioritisation criteria, the Observation Period will commence when that jurisdiction enters the 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 to section V paragraph 7 of the FATF ICRG Procedures.
17. 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 82 of the CFATF Procedures (i.e, the First Enhanced Follow-Up Report).

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

18. 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 determination of the most strategic areas that countries could may be determined between the CFATF ICRG Co-Chairs, the CFATT Secretariat and the member country.
19. If the country has not remedied its deficiencies and/or made satisfactory progress as indicated in the paragraph above, the recommendation for that FUR may be the application of enhanced measures as included in paragraph 84 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>10</sup> when those countries did not remedy and/or did not made satisfactory progress in the POPR.

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<sup>10</sup> FATF ICRG Procedures: *“IV. 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.*

*V. Prioritising countries in the pool*

*6. A country should be subject to ICRG review if it meets the referral criteria agreed upon in section IV 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.”*

20. 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**

21. 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.
- 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 on paragraph 84 of the CFATF Procedures in a consequential manner if necessary.
  3. Be placed in Regular follow-up from Enhanced or in Enhanced follow-up from Regular depending 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**

22. 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 application of paragraph 84 of the CFATF Procedures has been agreed by Plenary.
23. 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 - CFATF Procedures for the Fourth Round of AML/CFT Mutual Evaluations (CFATF Procedures) (as amended in May 2019) – Section XII

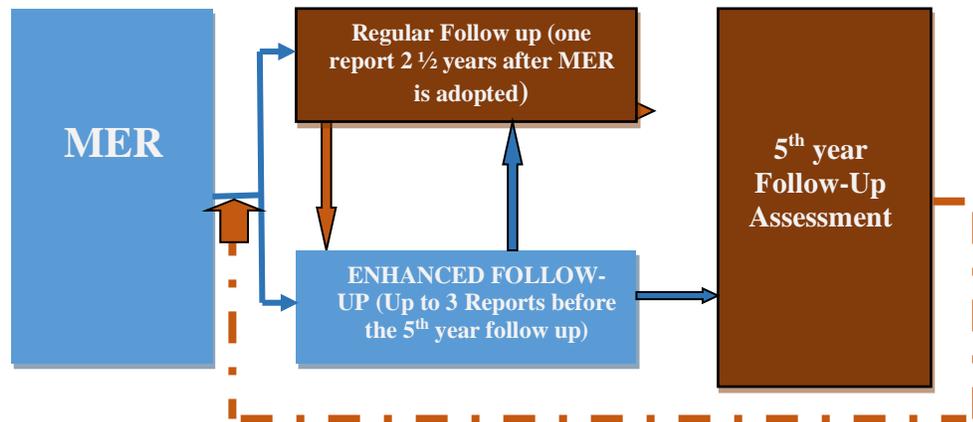
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**XII. Follow-up process**

78. The follow-up process is intended 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 FSAP assessment cycle.

79. Following the discussion and adoption of a MER, the country could be placed in either regular or enhanced follow up. Regular follow-up is the default monitoring mechanism for all countries. Enhanced follow-up is based on the CFATF’s traditional policy that deals with members with significant deficiencies (for technical compliance or effectiveness) in their AML/CFT systems, and involves a more intensive process of follow up. Whether under regular or enhanced follow up the country will also have a follow-up assessment after five (5) years. This is intended to be a targeted but more comprehensive report on the country’s progress, with the main focus being on areas in which there have been changes, high risk areas identified in the MER or subsequently and on the priority areas for action. Re-ratings will be possible as part of the follow-up process. A schematic of the 4<sup>th</sup> round process is included below.

**Figure 1. Process of the 4<sup>th</sup> Round of Mutual Evaluations**



80. Countries may seek re-ratings for technical compliance before the 5<sup>th</sup> year follow-up assessment as part of the follow-up process. The general expectation is for countries to have

addressed most if not all of the technical compliance deficiencies by the end of the 3rd year, and the effectiveness shortcomings by the time of the follow-up assessment. When it comes to Plenary's attention that a country has significantly lowered its compliance with the FATF standards, the Plenary may request the country to address any new deficiencies as part of the follow-up process. If any of the FATF standards have been revised since the end of the on-site visit, the country will be assessed for compliance with all revised standards at the time its re-rating request is considered.<sup>11</sup>

*1.1.1. (a) Regular Follow-up*

81. Regular follow-up will be the default mechanism to ensure a continuous and on-going system of monitoring. This is the minimum standard that will apply to all members. Countries subject to regular follow-up will report back to the Plenary after two and a half years (5 Plenaries) from the adoption of the country's MER. Whenever a regular follow-up report is discussed, re-ratings for technical compliance are possible in appropriate cases.

*1.1.2. (b) Enhanced Follow-up*

82. The Plenary may decide, at its discretion, that the country should be placed in enhanced follow-up, which would result in the country reporting back more frequently than for regular follow-up. Countries in enhanced follow-up would typically first report back three Plenary meetings after the adoption of the country's MER, and subsequently report twice more at intervals of two Plenary meetings. Where a country that is placed in enhanced follow-up also meets the requirements for the FATF ICRG one-year observation period<sup>16</sup>, they will first report back two (2) Plenary meetings after the adoption of the country's MER to allow their FFUR to be available at the end of the FATF ICRG observation period. Plenary retains the discretion to vary the specific frequency of reporting. Minor technical compliance issues remaining after the third follow-up report (or the first report for regular follow-up) will be assessed during the follow-up assessment after the fifth year.
83. In deciding whether to place a country in enhanced follow-up, the Plenary would consider the following factors:

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<sup>15</sup>At the time a country requests re-rating(s), the country must submit information and be assessed for compliance with all the standards revised since the end of the on-site. The country will also be assessed for compliance with the latest version of the FATF standards including Recommendations for which no re-ratings are requested.

<sup>16</sup>The FATF ICRG one-year observation period is applicable to all countries in the FATF ICRG pool. For jurisdictions below the FATF ICRG prioritisation threshold and in the pool prior to June 2018, the one-year observation period commenced June 2018 and for all other jurisdictions, the one-year observation period will commence when a jurisdiction enters the pool.

- a) After the discussion of the MER: a country will be placed immediately into enhanced follow-up if any one of the following applies:
  - (i) it has 8 or more NC/PC ratings for technical compliance, or
  - (ii) it is rated NC/PC on any one or more of R.3, 5, 10, 11 and 20, or
  - (iii) it has a low or moderate level of effectiveness for 7 or more of the 11 effectiveness outcomes, or
  - (iv) it has a low level of effectiveness for 4 or more of the 11 effectiveness outcomes.
- b) After the discussion of a regular follow-up report or the 5<sup>th</sup> year follow-up assessment: the Plenary could decide to place the country into enhanced follow-up at any stage in the regular follow-up process, if a significant number of priority actions have not been adequately addressed on a timely basis.
- c) When it comes to the Plenary's attention that a country has lowered its compliance with the FATF standards during the regular follow-up process: a country will be placed into enhanced follow-up if its level of technical compliance changed to a level that the Plenary considers as equivalent to NC/PC on any one or more of R.3, 5, 10, 11 and 20.

84. In addition to more frequent reporting, the Plenary may also apply other enhanced measures to countries placed in enhanced follow-up, particularly if satisfactory progress is not achieved. Possible enhanced measures include:

- a) A letter could be sent from the CFATF Chairperson to the relevant minister(s) in the member jurisdiction drawing attention to the lack of compliance with the FATF Standards.
- b) A high-level mission could be arranged to the member jurisdiction to reinforce this message. This mission would meet with Ministers and senior officials.
- c) In the context of the application of Recommendation 19 by its members, issuing a formal CFATF statement to the effect that the member jurisdiction is insufficiently in compliance with the FATF Recommendations, and recommending appropriate action, and considering whether additional counter-measures are required.
- d) Refer the jurisdiction to the FATF ICRG process as a tool in focusing the jurisdiction's attention on addressing their AML/CFT deficiencies.
- e) Suspending the jurisdiction's membership of the CFATF until the prioritized recommendations have been implemented. Suspension would mean that the country would be considered as a non-member of the CFATF for the period of the suspension, would not be able to attend CFATF meetings or provide input into CFATF processes except for the process to determine whether deficiencies have been adequately addressed.
- f) Terminate the membership of the jurisdiction.

85. Countries may move to regular follow-up at any time during the enhanced follow-up process in the following situations:

- a) Where the country entered enhanced follow-up on the basis of meeting a criterion in paragraph 79(a), the Plenary may decide that the country will be moved from enhanced to regular follow-up following Plenary's decision that the country no longer meets any of those criteria (i.e., after approving a request for re-ratings).
- b) The Plenary also has the discretion to decide to move the country to regular follow-up at any time it is satisfied that the country has made significant progress against the priority actions in its MER or has taken satisfactory action to address its deficiencies, even if the country still meets a criterion in paragraph 79(a).

86. Where countries in enhanced follow-up move to regular follow-up, the Plenary will decide the timing of the country's next regular follow-up report or of the follow-up assessment.

*1.1.3. (c) Follow-up Reports*

87. In preparation for the follow-up reports, the country will provide an update to the Secretariat setting out the actions it has taken or is taking to address the priority actions and recommendations, and deficiencies in its MER. All updates provided by countries should be in relation to the FATF standards as they exist at the time that the update is prepared.

- **For regular follow-up reports**, as the expectation is that significant progress would have been made in the two-and-a-half year period since the MER was adopted, the report should focus on re-ratings for technical compliance and/or demonstrating progress in addressing the shortcomings in the MER.
- **For enhanced follow-up**, the first follow-up report should at least contain an outline of the country's strategy for addressing the issues identified in their MER and exiting enhanced follow-up, for Plenary's information. If not already contained in the first follow-up report, subsequent reports should focus on re-ratings for technical compliance and/or demonstrating progress in addressing the shortcomings in the MER.
- For countries subject to review by the FATF International Cooperation Review Group the follow-up report should focus on:
  - a) Each Recommendation, or parts of Recommendations that are not covered by the FATF ICRG action plan, and

- b) Progress in addressing shortcomings by the agreed timelines, or as soon as the country has completed its FATF ICRG action plan.

88. The country will be asked to submit information regarding technical compliance (which may be used to justify re-ratings) and effectiveness (for information only).

- **Technical compliance updates** should be provided in a similar format to the Mutual Evaluation technical compliance questionnaire (see Appendix 3), in relation to the shortcomings identified in the MER.
- **Effectiveness updates** should include any information that goes towards addressing the priority actions or recommendations in the MER, such as the lists in the FATF Methodology on the Examples of Information that could support the conclusions on Core Issues for each Immediate Outcome. As with the Mutual Evaluation process, there is no fixed format for the effectiveness update.

89. Although effectiveness will not be re-assessed until the follow-up assessment, updates on effectiveness facilitate a better understanding by the CFATF of the progress made over time. Plenary may refer to such updates in determining whether to move a country from enhanced follow-up to regular follow-up (or vice versa), or whether to apply other enhanced measures to countries in enhanced follow-up that do not achieve satisfactory progress.

90. Re-ratings for technical compliance will need to be approved by Plenary. Where a country wishes to seek technical compliance re-ratings, the update by the country should be submitted to the Secretariat at least 6 months in advance of Plenary meeting at which the report will be presented.

- **Peer review principle.** Assessments of a country's request for technical compliance re-ratings and preparation of the summary report will be undertaken by other members, consistent with the peer review principle of the Mutual Evaluation process.
- **Composition of the group of experts.** The group of experts may include those who were involved in that country's Mutual Evaluation, but may also consist of other experts nominated by their delegation or assigned by the CFATF ICRG, if necessary. The experts will be chosen from a subgroup of delegations (open to all delegations to participate in) that will coordinate the analysis of re-ratings requests and conduct its business in writing. Experts from the subgroup will be assigned by the CFATF ICRG Co-Chairs to review re-rating requests. The number of experts assigned to a report, and their expertise, will depend on the nature of the particular re-rating request.
- **Reporting of analysis and recommendations.** The group of experts should submit their analysis at least five (5) weeks before the CFATF ICRG/Plenary meeting for comments to all Members, COSUNs and

Observers, who have two weeks to comment on the draft. Depending on the comments received, the follow-up report may be first discussed at ICRG before Plenary. Accordingly, where there are major disagreements between the group of experts and the assessed country on the findings contained in the follow-up report (e.g. re-ratings) and/or major issues raised through the pre-plenary review process, the group of experts and/or CFATF Secretariat will compile a short list of the most significant issues, and will circulate this to all Members, COSUNs and Observers at least two weeks prior to the CFATF ICRG and/or plenary discussion. The CFATF ICRG and plenary should prioritize discussion of these issues, which should be limited in time and scope.

- **Consideration of follow-up reports.** All follow-up reports will be considered by Plenary, either as a discussion or information item. Follow-up reports may in some instances be first discussed at CFATF ICRG but Plenary remains the only decision-making body.
- **Continued involvement of Secretariat.** The Secretariat will assist the group of experts in achieving consistency in the application of the FATF Standards and Methodology, and will equally support the countries in follow-up. The Secretariat will also advise the CFATF ICRG/Plenary on process and procedural issues (e.g., in cases where no progress has been made).

91. Follow-up reports that do not involve re-ratings should be submitted at least 2 months in advance of the relevant Plenary meeting. The Secretariat will conduct a desk-based analysis, and prepare a summary report with a cover note solely focusing on the follow-up process and progress.

92. In preparing the analysis and summary report for Plenary, the original assessors may be consulted, if available. The analysis and summary report will be provided to the country for its comments before it is sent to delegations. The report will contain a recommendation regarding the next step in the follow-up process.

93. Considering time constraints, CFATF ICRG/Plenary may opt to prioritise follow-up reports for discussion that receive written comments and/or involve substantive issues. Examples of substantive issues include, but are not limited to:

- Requests for technical compliance re-ratings.
- Significant changes in a country leading to a decline in technical compliance or effectiveness.
- Insufficient progress made by a country against the priority actions in its MER.
- Recommendations to place a country in or out of enhanced follow-up.

#### *1.1.4. (d) MER Follow-up Assessment*

94. The follow-up assessment is intended to provide a more comprehensive update on the country's AML/CFT regime. It is intended to serve a similar function as an update that is part of a country's FSAP. This takes place five (5) years after the adoption of the country's MER, and will occur regardless of whether the country has been in regular or enhanced follow-up. The focus is on the progress made by the country on the priority actions in its MER, and other areas where the country had significant deficiencies. The follow-up assessment could also examine any areas where the Standards had changed since the MER, other elements of the country's AML/CFT regime which had changed significantly as well as high risk areas identified in the MER or noted subsequently in the follow-up process.
95. The process for the follow-up assessment should include a short (2-3 days) on-site visit to assess improvements in effectiveness and other areas. This on-site visit is to be conducted by a small team of (*e.g.* one to three) experts drawn from countries (preferably experts that were on the original assessment team), and supported by the Secretariat. The team would prepare a progress assessment report for Plenary discussion and decision. Re-ratings on both technical compliance and effectiveness are possible, and Plenary will decide whether the country should then be placed in regular or enhanced follow up, with the process continuing as previously.

#### *1.1.5. (e) Publication of Follow-Up Reports*

96. The CFATF publication policy applies to actions taken under the CFATF's follow-up policy. Only follow-up reports with re-ratings<sup>12</sup>, and the follow-up assessment reports will be made available to the public on the CFATF website. If requested by a country, a link will be provided from the CFATF website to a website of the country on which it has placed additional updates or other information relevant to the actions it has taken to enhance its AML/CFT system. After adoption by the Plenary but prior to publication, final follow-up reports with TC re-ratings will be circulated to all assessment bodies<sup>13</sup> for consideration in the Global Quality and Consistency Review process. Follow-up reports where no issues are raised through the pre-plenary review process or during the CFATF ICRG/plenary discussion are not subject to this ex-post review process.

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<sup>12</sup>These FURs will be in the format of the approved FATF standardized template. The analytical tool used for analysis and any additional information submitted by the country that is not relevant to the identified re-ratings, as well as confidential information provided in support of the FUR shall not be published.

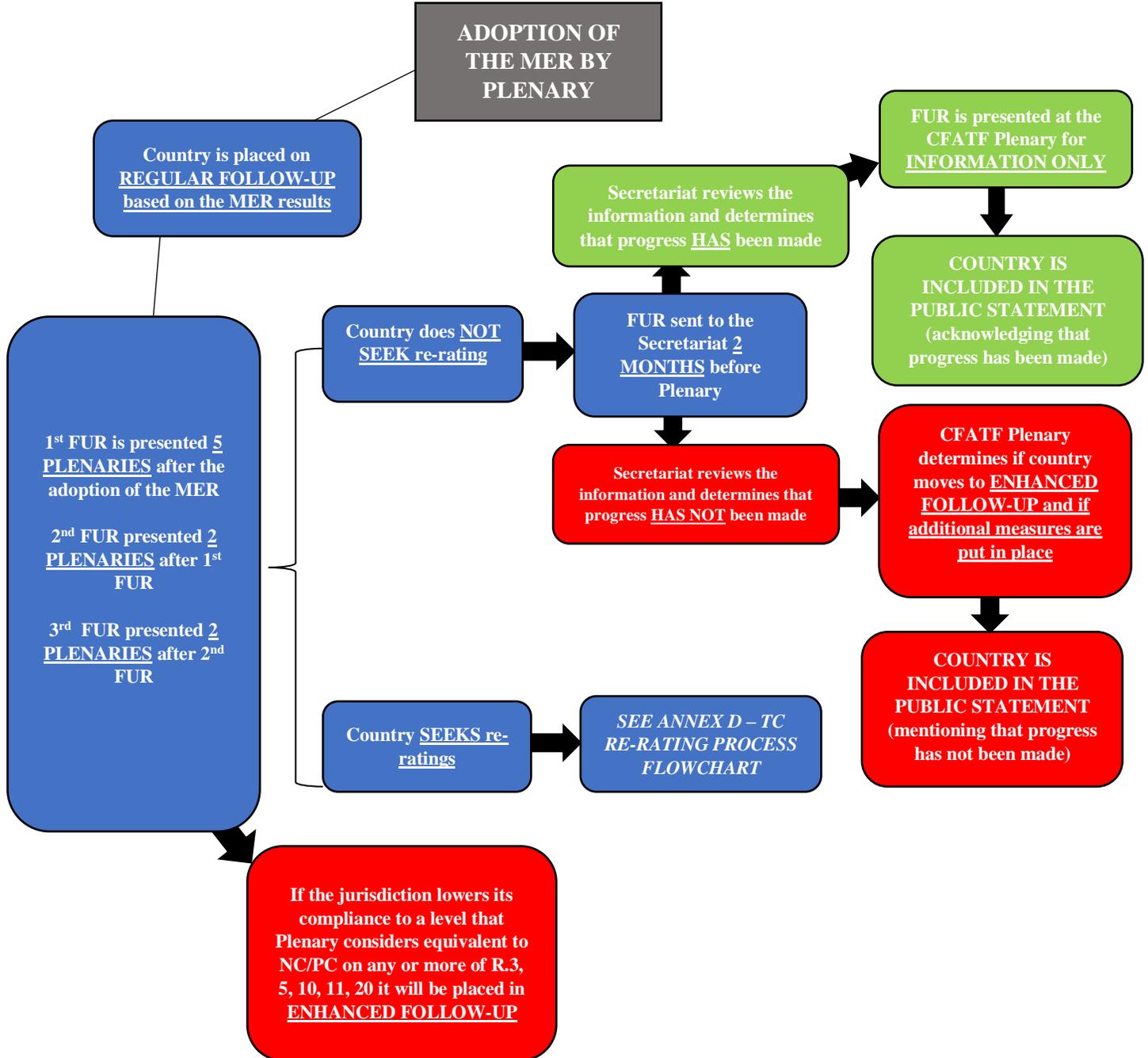
<sup>13</sup>See Paragraph 3 of the Procedures.

ANNEX B - FATF ICRG PROCESS FLOWCHART

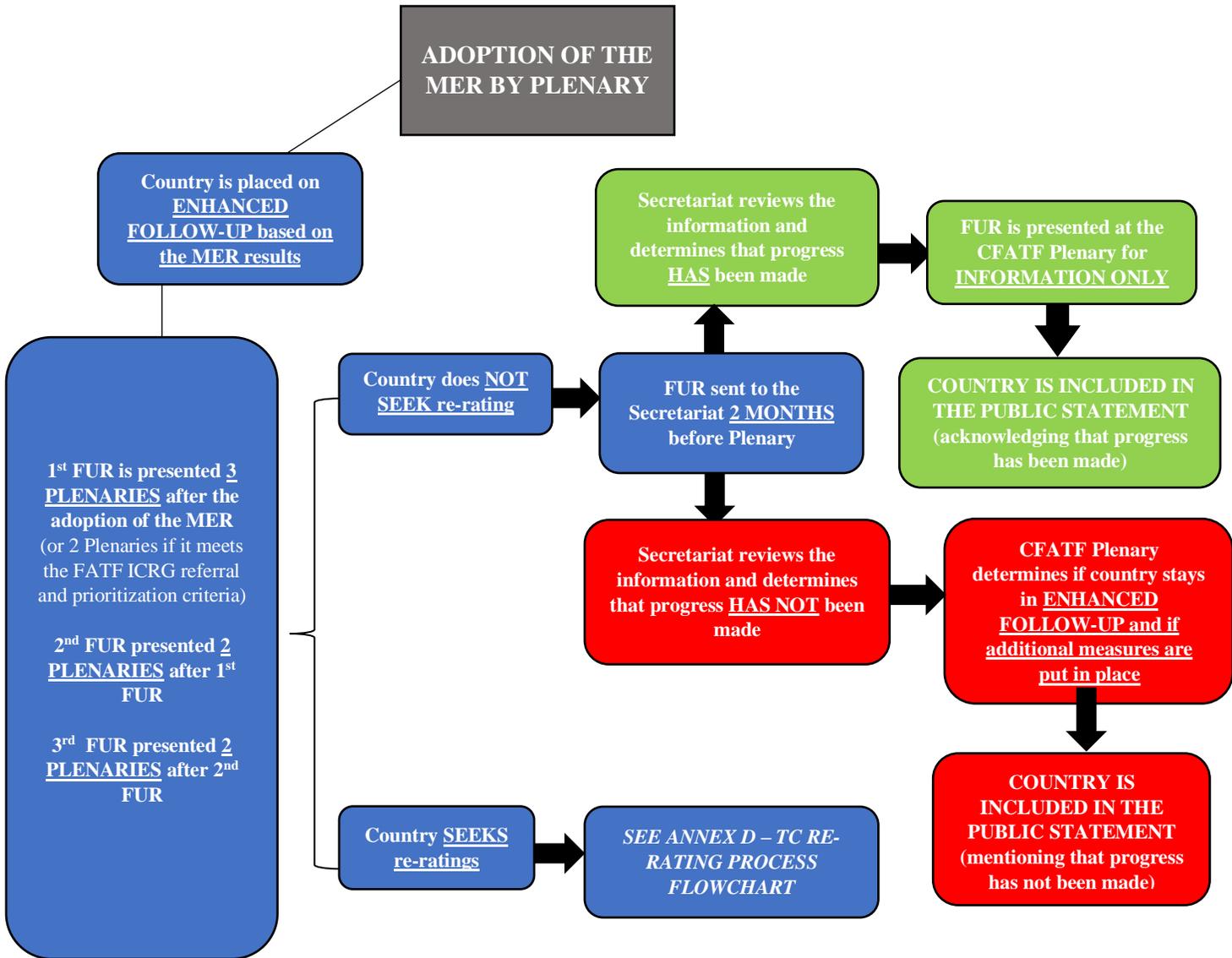


ANNEX C - CFATF FOLLOW-UP PROCESS FLOWCHART

REGULAR FOLLOW-UP

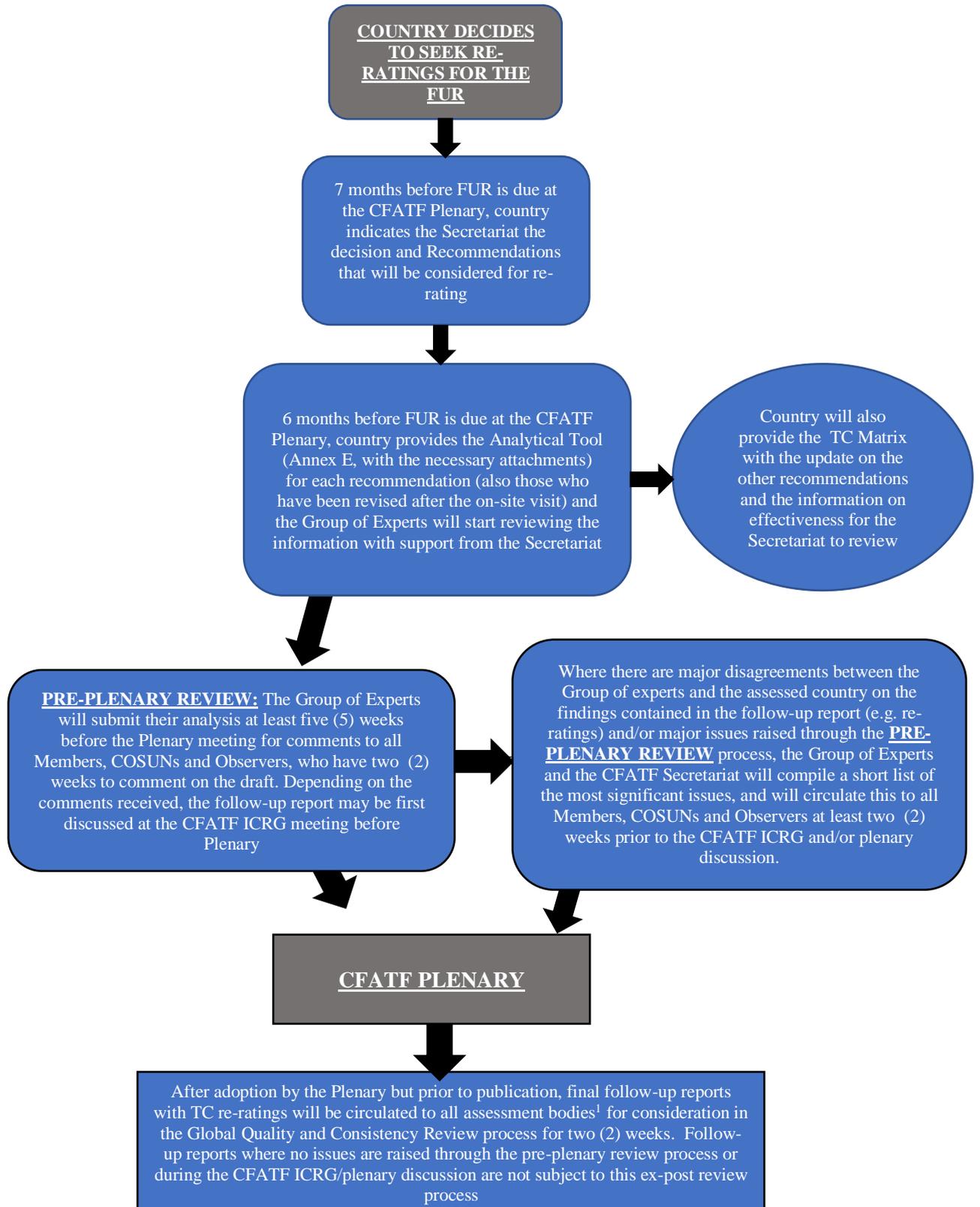


## ENHANCED FOLLOW-UP



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## ANNEX D - TC RE-RATING PROCESS FLOWCHART



**ANNEX E - 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 F - 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>14</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>14</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.

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

11. [Summary of change to Rec and progress made to implement it.]

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12. [Conclusion on Recommendation with proposal for rating]

#### IV. CONCLUSION

13. Overall, [country name] has made [insert language giving an overall judgment about the totality of progress which has been made (e.g. Overall, the country has made good progress/some progress/minimal progress/no progress...)] progress in addressing the technical compliance deficiencies identified in its MER and has been re-rated on [insert the number of Recommendations which are re-rated] Recommendations.

14. [Insert a paragraph summarising which Recommendations are re-rated]

15. [Insert a paragraph summarising which Recommendations the country has made progress on, but for which a re-rating is not yet justified]

16. [Insert a paragraph summarising the progress on Recommendations which were amended after the MER was adopted (e.g. R.5 and R.8) and whether any re-ratings were given]

17. Overall, in light of the progress made by [country name] since its MER was adopted, its technical compliance with the FATF Recommendations has been re-rated as follows [Note: Proposed TC re-ratings should be in **bold italics** in the table below.]

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

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.