



**ESAAMLG**  
**MUTUAL EVALUATION PROCEDURES**  
**August 2008**  
*(As Amended in Maseru, Lesotho in August 2009)*

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## **ABBREVIATIONS**

AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
WB	World Bank
DAQ	Detailed Assessment Questionnaire
DAR	Detailed Assessment Report
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
FATF	Financial Action Task Force on Money Laundering
FSSA	Financial System Stability Assessment
FSAP	Financial Sector Assessment Program
FSRB	FATF Style Regional Body
IMF	International Monetary Fund
IFI	International Financial Institutions (World Bank and IMF)
IMF	International Monetary Fund
MEQ	Mutual Evaluation Questionnaire
MER	Mutual Evaluation Report
OFC	Offshore Financial Centre
OGBS	Offshore Group of Banking Supervisors
ROSC	Report on Observance on Standards and Codes

## **I Introduction**

1. The ESAAMLG is conducting a first round of mutual evaluations for its members based on the FATF Forty Recommendations 2003 and Nine Special Recommendations on Terrorist Financing 2001, and using the AML/CFT Methodology 2004, as amended from time to time. This document sets out the process and procedures that are the basis for this round of evaluation.

## **II Scope, Basis and Principles for ESAAMLG Mutual Evaluation**

2. The mutual evaluation exercise is designed to assess a country's compliance with the international Anti-Money Laundering/Combating Terrorist Financing (AML/CFT) standard (i.e. the 40 + 9 FATF Recommendations). This consists in assessing whether the necessary laws, regulations or other measures required under the essential criteria of the FATF Methodology are in force and effect, whether there has been a full and proper implementation of all the necessary measures, and whether the AML/CFT system as implemented is effective.
3. There are a number of general objectives and principles that govern mutual evaluations conducted by the ESAAMLG. The process and procedures should:
  - produce objective and accurate reports of a high standard in a timely way.
  - ensure that there is a level playing field, whereby mutual evaluation reports are as consistent as possible, especially with respect to the findings and ratings.
  - ensure that there is equality of treatment, both in terms of process and results, for all members assessed.
  - seek to ensure that the overall evaluation and assessment exercises conducted by all relevant organisations and bodies (ESAAMLG, FATF, IMF, World Bank, other FSRBs ) are not duplicative.
  - have sufficient clarity and transparency; in an effort to encourage the implementation of higher standards, to identify and promote good and effective practices, and to alert governments and the private sector to areas of weakness or deficiency.
  - be sufficiently streamlined and efficient, so as to ensure that there are no unnecessary delays or duplication in the process from the beginning to the end of the evaluation process, and that the time is efficiently used. This will help to ensure an efficient use of resources and that reports are current and accurate.
4. Using the FATF 2004 Methodology (as updated) ESAAMLG members may be assessed in one of three ways:-
  - By an ESAAMLG Mutual Evaluation;
  - By an IMF or World Bank-led assessment;
  - For the members of the ESAAMLG who are also members of the FATF or the OGBS, jointly by the FATF or the OGBS and ESAAMLG.

5. In each case, the ESAAMLG will need to consider and adopt, for ESAAMLG Mutual Evaluation purposes, the mutual evaluation/assessment report on the ESAAMLG member. The member being evaluated should commit to the report being presented to the Task Force Meeting within 12 months of the on-site visit.

### **III Procedures and Steps in the Evaluation Process**

6. The procedures set out in this section relate to the general conduct of ESAAMLG mutual evaluations. They are also summarised in the Finalisation Schedule (Attachment A). The ESAAMLG Secretariat will maintain a detailed Finalisation Checklist based on the Finalisation Schedule. This process will be followed for each ESAAMLG mutual evaluation.
7. These procedures should be read in conjunction with the AML/CFT Evaluations and Assessments: Handbook for Countries and Assessors (the Handbook) finalised by the FATF in June 2004 and updated from time to time<sup>1</sup>. The Handbook contains procedural information and provides templates for the Mutual Evaluation Questionnaire (MEQ), the detailed Mutual Evaluation Report (MER) and its Executive Summary.

#### **III.1 Awareness Raising Prior to the Mutual Evaluation**

8. The ESAAMLG Secretariat and supporting nations and observers will work with the ESAAMLG members being assessed to ensure that they understand the process, procedures and resources necessary to effectively prepare for and participate in a mutual evaluation. The Secretariat will provide additional guidance (especially on the completion of the MEQ) and advice on practical steps to coordinate a successful mutual evaluation. This may include information seminars, workshops, sharing best practice experience and pre-assessment training.

#### **III.2 Date of On-Site Visit**

9. The ESAAMLG Secretariat fixes the date of the on-site visit in consultation with the authorities of the evaluated country. This should be done as soon as possible and preferably at least 6 months prior to the on-site visit.

#### **III.3 Completion of the Mutual Evaluation Questionnaire (MEQ)**

10. The ESAAMLG Secretariat sends a copy of the MEQ template, developed for use with the 2004 Methodology as updated (Annex 1 to the Handbook), to the

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<sup>1</sup> The Handbook may be down loaded from the ESAAMLG website.

evaluated country 4 to 6 months prior to the on-site visit. Members are strongly encouraged to start completing the MEQ as early as possible

11. Should the ESAAMLG member being evaluated have difficulty with the MEQ, it should notify the Secretariat as soon as possible<sup>2</sup>.
12. The MEQ is completed by the jurisdiction and returned to the Secretariat in electronic form as soon as possible and no later than 8 weeks prior to the on-site visit.
13. The questionnaire format is intended to facilitate the preparation of a response, which in turn forms the basis for the initial outline draft of the MER to be prepared by the Secretariat. As noted at paragraph 8 of the Handbook, it is very important that countries provide a full description of their AML/CFT system for each area, which covers all the essential criteria and other relevant matters. The MEQ response should be as complete as possible, and provide a detailed description (and analysis where appropriate) of the relevant measures. All necessary laws, regulations, guidelines and other relevant documents should be available in English and the original language, and both these documents and the MEQ should be provided in an electronic format (see the Handbook, paragraphs 22 and 37-38 for examples of relevant laws, regulations and other documents that evaluated countries should provide).
14. The Secretariat will provide copies of the completed MEQ and all other relevant material to the evaluation team as soon as they are received but not later than 8 weeks before the on-site visit.

#### **III.4 Confidentiality**

15. Documents produced:
  - (a) by an evaluated country during a mutual evaluation exercise (e.g. documents describing a country's regime or threats faced, responses to the MEQ, or responses to evaluators' queries); and
  - (b) by the Secretariat or evaluators (e.g. reports from evaluators, draft MER etc)

will be treated as confidential and will not be made publicly available unless the evaluated country (for documents under (a) above) or the Secretariat (for documents under (b) above) consents to their release.

16. All evaluators (including any observer) will be required to sign a Confidentiality Undertaking in the form set out in Attachment B.

#### **III.5 Follow up from previous evaluations and other issues**

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<sup>2</sup> See paragraph 8 above

17. Although jurisdictions are required to provide information on the measures that they have taken in response to their last evaluation report (see the Handbook, please refer to the MEQ template, Section 1.5 called “progress since the last mutual evaluation or assessment”) there may be some cases where additional follow up questions could be desirable, or where other issues have come to the attention of the evaluators which they want to raise with the jurisdiction prior to the evaluation. Any supplementary questions of this nature should be sent to the jurisdiction at least 4 weeks prior to the on-site visit, and responses provided no later than 1 week prior to the visit.
18. In order to make the process as transparent and as effective as possible, other ESAAMLG members would be invited to notify the Secretariat of any issues that they would like to see raised and discussed during the on-site visit, especially where ESAAMLG members have faced difficulties relating to parts of the AML/CFT system in the evaluated jurisdiction- e.g. issues of international co-operation. It would certainly assist the Evaluation Team if the Secretariat were notified of such issues. Members of the FATF and of other FSRB’s will also be invited to provide information on their experience of international co-operation with the country being evaluated or on any other issues that they would like to see raised and discussed during the on-site visit. The Secretariat will seek this information at least 8 weeks prior to the on-site visit. Responses should reach the Secretariat at least 1 week before the on-site visit and will be made available to the evaluation team and evaluated country.
19. In order to expedite the whole mutual evaluation process, and to ensure that there is sufficient time between the on-site visit and the discussion of the report in the Task Force Meeting, the Secretariat will turn the MEQ response into an initial outline draft of the MER in the 8 weeks following the receipt of the MEQ response. This initial draft will be provided to the evaluators no later than one week prior to the on-site visit, and will also contain a list of any issues that the Secretariat has identified and which need to be clarified or further discussed during the on-site visit.

### **III.6     *Selection of the Evaluation Team***

20. Evaluators will be selected by the Secretariat from different member countries or observers. The evaluation team will normally consist of four experts (one legal, two financial and one law enforcement), plus the Secretariat (one or two staff, depending on the size and complexity of the jurisdiction being evaluated).
21. Criteria for the selection of evaluators include the expertise and background of each expert, the nature of the legal system (civil law or common law), the specific characteristics of the jurisdiction (size, geographical location) and the aim of involving as many member jurisdictions as possible in the evaluation process. Evaluators will have attended a training seminar before they conduct a mutual evaluation. Further details on the composition, roles and functions of the evaluators may be obtained from the Handbook.



22. In joint evaluations, the assessment team is made up of experts from both the ESAAMLG and the FATF/OGBS. Where appropriate, for developmental purposes the Secretariat may also select an additional team member as observer to observe or assist the evaluation team. The additional member will normally be an expert who has not previously participated in a mutual evaluation and/or whose jurisdiction has not previously been involved in a mutual evaluation.
23. The Secretariat will submit the list of evaluators and observer to the evaluated country for information and comment at least 3 weeks before the visit. Any request for changes to the composition of the team will be taken into account, but the final decision concerning the composition of the team will rest with the Secretariat. Due to the nature of the peer review process, the Secretariat will work to ensure that the mutuality of the process is maintained. A list of assessors will be kept, and the Secretariat will try to keep the process a mutual one, in which all members provide an expert for at least one mutual evaluation, though it would be better if the workload could be more evenly spread.
24. A copy of all relevant procedures will be provided to the evaluation team as soon as the composition of the team has been confirmed.
25. Evaluators need to be fully prepared to examine the laws, regulations, other enforceable means and guidelines and institutional measures and to review the effectiveness of the system of the evaluated country. Evaluators should bear in mind that different jurisdictions may adopt different approaches to the various components of the AML/CFT regimes. Evaluators should therefore be open and flexible, and should avoid narrow comparisons with their own national solutions.
26. The Secretariat and the evaluators should discuss the sharing of responsibilities between evaluators, including who will take the lead role in drafting the different sections of the MER, based on their respective expertise.

### **III.7     *Schedule of on-site meetings***

27. The jurisdiction must prepare a draft schedule of meetings for the on-site visit and send it to the Secretariat as soon as possible but no later than one month before the on-site visit<sup>3</sup>. The evaluators and/or Secretariat may request such additional meetings as they think are necessary. Some spare time should be left in the schedule to enable extra or follow-up meetings to be scheduled during the course of the visit. Lunches should be kept relatively short and, if necessary, working lunches may be arranged.
28. Where practical, meetings should be held on the premises of the agency/organisation being met. This allows the evaluation team to meet the widest possible range of officers from the agency/organisation and to obtain more easily any additional information required. For this to be effective,

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<sup>3</sup> Paragraph 25 of the Handbook provides details of the types of authorities that will need to be included in the meeting schedule.

appropriate travel times between meetings must be built into the schedule. However, for some evaluations, travelling between venues can be time consuming and wasteful. Generally, the number of venues should be kept to a minimum of 2-3 per day unless venues are in close proximity. Depending on the size of the jurisdiction and the number of meetings that needs to be scheduled, it may be necessary and appropriate for the evaluators to split up and hold separate meetings simultaneously with agencies within their primary area of responsibility. However, it is preferable for the evaluation team to stay together as a group during all meetings.

29. Where a translator is required for meetings, this needs to be factored into the schedule and meetings made sufficiently long for appropriate discussions to take place using a translator. More generally, translation is an issue that needs to be carefully taken into account. Where English is not the official language of the evaluated country, the process of translation of relevant laws, regulations and other documents should start at an early stage, so that they can be provided to the evaluation team in time for the evaluation. However, the evaluation team should also be provided with the relevant laws or other documents in the language of the jurisdiction, since translations of technical texts are not always perfect. During the on-site visit there also needs to be professional and well prepared translators if the jurisdiction experts are not fluent in English. The evaluated country will provide the translator and documents translated.
30. On the basis of a draft schedule submitted by the jurisdiction, the evaluation team, the evaluated country and the Secretariat will work to finalise the schedule of meetings as soon as possible prior to the on-site visit.
31. It is the responsibility of the jurisdiction being evaluated to provide the appropriate security arrangements, where required. All transportation during the visit, both to and from the airport and between appointments, is the responsibility of the evaluated country. The jurisdiction should also provide the evaluation team with a meeting/resource room for the duration of the on-site visit. Ideally, this room should contain photocopying and other basic facilities, as well as internet access.

### **III.8     *The on-site visit***

32. The on-site visit, which allows for face to face meetings with all relevant government agencies/departments and with the private sector, provides the best opportunity to clarify all issues relating to the AML/CFT system of the evaluated country.
33. The total length of the mission is likely to be in the order of 8 – 10 working days and allows for:
  - An initial half day preparatory meeting between the Secretariat and evaluators;

- Followed by up to eight days of meetings with representatives of the jurisdiction (though fewer days of meetings may be required for smaller jurisdictions);
  - Finally, one to two days where the Secretariat and evaluators work on the initial draft outline MER, previously prepared by the Secretariat, to ensure that all the major issues that arose during the evaluation are noted in the draft report, and discuss and agree ratings for 40 + 9 Recommendations.
34. The initial half day preparatory meeting between the evaluation team and the Secretariat is held on-site to, inter alia,-
    - Ensure all evaluators have all relevant documentation and identify any outstanding documentation;
    - Check and agree on the final schedule of meetings, including the level/type of person the evaluation team will wish to meet;
    - Confirm the sharing of responsibilities between evaluators, including who will take the lead role during each meeting during the on-site visit; and
    - Discuss issues arising from the completed MEQ and other relevant documentation provided by the jurisdiction.
  35. An introductory meeting with government officials and, at the discretion of the evaluated jurisdiction, private sector representatives, should be arranged (day 1). This meeting provides an opportunity to the evaluation team to explain the evaluation process and clarify logistical details. It also provides an opportunity for the jurisdiction to make any general statement and clarify any issue with the evaluation team.
  36. One-to-one meetings then take place between the evaluation team and agencies/organisations in accordance with the agreed meeting schedule (days 1-8). The meetings with the private sector are an important part of the visit, and generally, the evaluators should be given the opportunity to meet with various representatives of associations and institutions in private, and without a government official present. The team may also request that meetings with certain government agencies are restricted to those agencies only.
  37. In addition to supplying transportation and translator facilities, the evaluated country shall provide a dedicated officer to assist the evaluation team with its meetings to ensure continuity. If the coordination agency wishes to have an officer attend meetings with the team, the officer will do so as an observer and their inclusion will be at the discretion of the evaluation team. Generally, governmental officials will not be welcome to observe meetings by the evaluation team and the private sector.
  38. It is very important that the evaluated jurisdiction and the specific agencies being met ensure that appropriate staff members are available for each meeting. While the level and type of officer required will vary from agency to agency, generally speaking, jurisdictions should ensure that both senior managers, who can 'speak for' the agency/jurisdiction at a policy level, as well as 'operational' staff who can answer detailed questions, are present at each meeting. Agencies should be made aware by the jurisdiction that they may be

asked quite detailed and probing questions. The persons present should therefore be familiar with the content of the jurisdiction's MEQ response, especially where it relates to their area of expertise, and be prepared for questions relating to that response.

39. A final on-site 'wrap up' meeting with government and, at the discretion of the jurisdiction under evaluation, private sector representatives of the jurisdiction being evaluated, will need to be held in order to provide an opportunity for any outstanding issues to be raised and answered. At this meeting, the evaluation team should provide some preliminary views on its findings and recommendations.
40. Following the final 'wrap up' meeting, the evaluators and Secretariat will work on the draft MER on-site, ensuring that all the major issues that arose during the evaluation are noted in the draft outline report and discuss and agree on ratings for the 40 + 9 Recommendations.(days 9-10)

### **III.9     *Post on-site visit***

41. The steps in finalising a draft report for discussion at the Task Force Meeting, and the approximate time that is required for each step, should be as follows (see also Attachment A):
  - a) Evaluators to send their additional remarks on the initial draft MER (as discussed/amended on-site) to the Secretariat (**3 weeks**).
  - b) Preparation of a draft MER by the Secretariat, which is sent to the evaluators for comment (5 weeks).
  - c) Evaluators to provide comments on the draft MER to the Secretariat (2 weeks).
  - d) Revision of the draft report by the Secretariat based on these comments, and the draft report then to be sent to the evaluated country and to the evaluators (1 week).
  - e) Evaluated country to provide comments to the Secretariat, which will be forwarded to the evaluators for their views (5 weeks). Substantive amendments where possible, should be suggested at this stage. Within this same 5 weeks period, the Secretariat will also have prepared the draft Executive Summary, sent this to the evaluators, received their comments and provided the draft summary and the draft Executive Summary to the evaluated country for comment.
  - f) Evaluators review the jurisdiction comments and liaise with the Secretariat on the changes that need to be made to the draft MER (2 weeks). In case of any dispute with the jurisdiction, the view of the evaluators shall at this stage prevail, subject to further discussions. At the same time, the jurisdiction should review the draft Executive

Summary and provide their comments to the Secretariat (which will be forwarded to the evaluators).

- g) The evaluators review the jurisdiction's comments on the Executive Summary and liaise with the Secretariat on the changes that need to be made. The Secretariat revises the MER, the Executive Summary based on the evaluators' comments (2 weeks) and sends it to the evaluated country and the evaluators.
  - h) Where requested by the evaluated country, the evaluation team (including Secretariat) and the country meet by teleconference and/or face to face to further discuss the draft report. At least one week prior to any further meeting the country must provide a second set of comments and other material in writing to the evaluation team.
  - i) The draft MER and the Executive Summary are sent to all members and observers at least 1 month prior to Task Force Meeting. To coordinate with the IMF/World Bank FSAP process, (see section VI below), the pro forma review of the Executive summary should also be made prior to the Task Force Meeting. Written comments on the draft MER and Executive Summary received from members or observers will be provided to the jurisdiction, the Secretariat and evaluators (at least one week prior to Task Force Meeting)<sup>4</sup>.
42. Although the times suggested are not rigid rules, they do provide guidance on what is required if reports are to be prepared within a reasonable timeframe and in sufficient time for discussion at the Task Force Meeting.
43. It is important to note that both the evaluators and the jurisdiction need to respect the timetables, since delays may significantly impact on the ability of the Task Force to discuss the report in a meaningful way.
44. Evaluations will be scheduled so as to allow enough time between the on-site visit and the Task Force Meeting discussion, however a failure to respect the timetables may mean that this would not be the case. By agreeing to participate in the mutual evaluation process, the jurisdiction and the evaluators undertake to meet the necessary deadlines and to provide full and accurate responses, reports or other material as required under the agreed procedure.
45. Failure to comply with the agreed deadlines, may lead to one of the following actions being taken (depending on the nature of the default):
- a) Failure by the jurisdiction to provide a timely or sufficiently detailed response to the MEQ could lead to deferment of the mutual evaluation and the Executive Secretary may write to the Primary Contact Point or the relevant Minister in the jurisdiction. Members will be advised at

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<sup>4</sup> This review entails the IFI reviewing the mutual evaluation report and the executive summary and checking to see if the summary fairly reflects the contents of the MER. No judgement is made regarding the factual findings or the substance of the MER conclusions, rather the IFI reviews consistency between the MER and the summary. It then provides its comments, which the jurisdiction is free to accept or not.

- the Task Force Meeting as to reasons for deferral, and publicity could be given to the deferral (as appropriate).
- b) Failure by the jurisdiction to provide a timely response to the draft MER – the Executive Secretary of ESAAMLG may write a letter to the Primary Contact Point or the relevant Minister in the jurisdiction. Where the delay results in a report not being discussed at the agreed Task Force Meeting, members are to be advised of the reasons for deferral.
  - c) Failure by the evaluators to provide timely or sufficiently detailed reports or responses at any stage of the mutual evaluation process – the Executive Secretary of ESAAMLG may write a letter to the Primary Contact Point for the jurisdiction of the evaluator.
  - d) Failure by the Secretariat to provide timely reports at any stage of the mutual evaluation process – the evaluated country will raise the matter with the President who in turn will take it up with the Executive Secretary.

### III.10 *Expert Review Group (ERG)*<sup>5</sup>

46. The key objective of the ERG is to identify and highlight the key issues arising in each MER, as well as inconsistencies with other MERs or DARs with a view to enhance discussion and resolution of those issues at the Task Force meeting in a fair and equitable manner. The ERG will include, *inter alia*:
  - identifying all remaining areas of disagreement between the evaluated country and the evaluation team, as well as the main issues behind these positions.
  - noting inconsistencies with other MER.
  - noting important areas deserving a discussion in the Task Force Meeting.
  - identifying any issues that require interpretation/clarification of the FATF standards, the 2004 Methodology as updated or regarding ESAAMLG procedures.
47. The Secretariat will prepare a short report summarising the ERG discussion, which will identify clearly the most important issues to be discussed at the Task Force meeting. The report on the ERG discussion will help define and focus the order of the discussion at the Task Force meeting. At the Task Force meeting all members will still be able to raise any issue with respect to the report.
48. The other objectives/principles that underlie the ERG's work are:

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<sup>5</sup> The ERG is being incorporated in ESAAMLG procedures in line with the FATF Mutual Evaluation procedures.

- The ERG has no decision-making powers on a mutual evaluation report or assessment. The Task Force meeting is the only body where decisions on a mutual evaluation/assessment report take place.
  - The ERG shall not censor, overrule or “second guess” the evaluation teams, and shall not function as a broker between the evaluation team and the country.
  - The ERG will identify the key issues for discussion in the Task Force meeting taking into account any comments by the evaluated country/evaluation team/Secretariat (in particular all areas where the evaluated country disagrees with the report or identifies inconsistencies with other reports), and the written comments received in advance from ESAAMLG members.
  - The process must ensure high quality, consistent MERs, and create a more efficient/effective process both in terms of Task Force discussion and overall. Reviewing an MER, annexes and underlying laws will require a significant commitment from the persons in the ERG.
  - All ESAAMLG mutual evaluation reports will be reviewed by an ERG prior to the Task Force meeting discussion, including assessment reports prepared by the IMF/World Bank.
49. The practical arrangements for the ERG are as follows:
- For each Task Force meeting, an ERG composed of 5 to 7 experienced experts from interested ESAAMLG members (other than the assessed countries), and/or IMF/World Bank and/or other cooperating nations/member organisations will be set up to review the MERs to be discussed at the Task Force meeting. An invitation requesting ESAAMLG members and observers to nominate experts to the ERG will be sent at least one week before the Task Force Meeting.
  - A representative of the FATF Secretariat shall sit in all ERG meetings in an advisory capacity. All issues pertaining to the interpretation of the FATF standards and the 2004 Methodology shall be referred to the FATF Secretariat Representative for guidance, interpretation and/or clarification. The ERG may refer such other matter as they deem appropriate to the FATF Secretariat Representative for advice and/or guidance.
  - The ERG will discuss each draft MER on its agenda in the presence of representatives of the evaluated country, the Secretariat and the evaluation team<sup>6</sup>.
  - The ERG members will select a representative to act as the chair of the meeting.

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<sup>6</sup> In the case of a report prepared by the FATF or the IMF/World Bank or the OGBS staff who prepared the draft report should participate in this discussion.

- The ERG for each Task Force meeting shall be composed of experienced experts from different expertise (legal, financial, law enforcement). The Secretariat will ensure that there is a sufficient rotation in the participation in the ERG to allow every ESAAMLG member to have a chance to participate in this process if they wish. The Secretariat will progressively put together a general roster of experts to ensure good participation in the ERG at each Task Force meeting.
- The Secretariat report based on the ERG discussion about the priorities for the Task Force should be clear and self-explanatory. It should be distributed to members as soon as possible, before the start of the Task Force meeting.
- The Secretariat will co-ordinate ERG meetings, and will provide an interface between the ERG, the evaluation team and the country.

### **III.11 *Adoption of MER and the Executive Summary***

50. If needed (although the assessment team and the country should endeavour to agree the draft MER/DAR prior to it being sent to delegations), the evaluators and representatives of the evaluated country could meet in the margins of the Task Force Meeting to agree on any final changes to the draft MER/DAR and the Executive Summary. Practice shows that certain technical or drafting issues can be and should be solved outside the Task Force discussions. Given that the text of the ROSC will be the same as the Executive Summary, this can also be agreed at that time, and any final amendments made available to members as soon as possible. Any issues that are not agreed should be presented through the ERG process or if the issue is a minor one, in a separate document.
51. The procedure for the discussion of the draft MER/DAR and the summary at the Task Force meeting will be as follows:
52. Assessment team introduces itself and briefly presents the key issues from the report. The team will have the opportunity to intervene/comment on any issue concerning the MER.
  - a) Assessed country makes its opening statement.
  - b) The Task Force will discuss first the key issues identified by the ERG (to be presented briefly by the Secretariat or the assessors) and afterwards any other issues from the floor.
  - c) Following the discussion of the issues raised in the ERG report, there is then an open discussion of the draft report, during which any member has the opportunity to ask questions of both the evaluated country and/or the evaluation team. Members may suggest changes to the draft report for consideration by the Task Force.
53. After the completion of Task Force discussion, the Task Force adopts the MER and the Executive Summary and makes a recommendation to the Council of



Ministers to approve and adopt the MER and Executive Summary. When discussing the reports, it must be recalled that the final report that is agreed is a report of the ESAAMLG and not simply a report by the evaluators. The Task Force will therefore make the final decision on the wording of any report, and will give careful consideration to the views of the evaluators and the jurisdiction when deciding on the wording to adopt. In this regard, and taking into account the need to ensure consistency between reports, the Task Force should carefully consider the text of the reports.

54. When the text of the report is finalised by the Task Force, the MER (including the Executive Summary) is referred to the Council of Ministers (subject to checks for typographical or similar errors) with a recommendation from the Task Force for its approval and adoption.
55. If the text is not agreed, then the evaluators, the country and the Secretariat should revise the MER and the Executive Summary and prepare an amended version which can be further discussed by the Task Force as soon as possible thereafter. Where substantive changes are required, either because additional information is required to be added or the report has to be substantially amended, then the Task Force could decide to defer the adoption of the report, and agree to have a further discussion of an amended report at the following Task Force meeting. Following the adoption of the report by the Task Force and prior to its formal adoption by the Council of Ministers, the Task Force should discuss the nature of the follow-up measures that would be required.
56. The evaluation report is written to reflect the situation as at the time of the on-site visit. In preparing the report and in giving ratings, evaluators should only take into account relevant laws, regulations or other AML/CFT measures that are in force and effect at the time of the on-site visit to the evaluated country or in a period of two months immediately following the on-site mission, and before the finalisation of the report. Because the Council of Ministers normally meets once a year, it is possible that there might be considerable delay between the completion of a draft report and its formal adoption by the Council of Ministers. In these circumstances, and so as not to impede possible progress by the jurisdiction, if the jurisdiction decides to take immediate action in response to the draft report's recommendations or has already done so, a progress report can be made available to ESAAMLG members by the evaluated jurisdiction prior to or at the agreed Task Force Meeting outlining progress made since the on-site visit.
57. The adoption of the MER and its Executive Summary by the Council of Ministers closes the evaluation exercise as such, and at the same time, it creates the basis for future follow-up activities. It is therefore crucial that the evaluated jurisdiction carefully considers the recommendations in the report because they will be the basis for later follow-up concerning implementation of the international AML/CFT standards.

### **III.12 *Procedures following the Council of Ministers Meeting***

58. Following the adoption of the MER and the Executive Summary by the Council of Ministers the Secretariat will within six weeks publish the reports on the ESAAMLG website.
59. Within 5 weeks of the Council of Ministers meeting, the jurisdiction will confirm the accuracy of any editing and/or advise on any typographical or similar errors in the MER and the Executive Summary.
60. Once the Secretariat receives the confirmation of accuracy of the MER and the Executive Summary, it will publish the MER and the Executive Summary on the ESAAMLG website, thus giving publicity to an important part of the ESAAMLG work<sup>7</sup>. The country would be free to publish the report as well. At this time, the final version of the ROSC will be sent to the IFIs, along with the country's advice concerning publication of the ROSC.
61. Once finalised, the MER and the Executive Summary will be sent to all ESAAMLG members, observers and cooperating partners. Alternatively they will be informed that the final report is available on the ESAAMLG website.
62. The Secretariat may publish both the Executive Summary and the MER or extracts thereof as part of the ESAAMLG annual report.

### **III.13 *Sharing of MER***

63. ESAAMLG has agreed to share its draft reports with its partner assessment bodies on a reciprocal basis. On the basis of reciprocal arrangements, ESAAMLG mutual evaluations will be shared with both the Secretariats and the members of the other FSRBs. The same confidentiality obligations in place within ESAAMLG will apply until the report is published.

## **IV. Post Evaluation Monitoring Procedures**

64. It is essential for the effectiveness and credibility of the mutual evaluation process that the ESAAMLG effectively monitors progress made by the evaluated jurisdictions to respond to the deficiencies identified in their evaluation report. The following Post Evaluation Monitoring Procedures will be applicable to the following mutual evaluations:
  - ESAAMLG led mutual evaluations
  - IMF or World Bank led mutual evaluations
  - Jointly led mutual evaluations

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<sup>7</sup> It is important to note that the IMF and the World Bank have agreed that, before undertaking an assessment, they will require a country to commit in writing to the publication of the final report. This policy will apply in particular for ESAAMLG countries that will undergo a World Bank or an IMF assessment.

65. Following the adoption of the MER, assessed countries are required to develop implementation plans as a key tool to prioritize and rationalize the actions that need to be taken to address the deficiencies identified in the MER and improve compliance with the FATF standards. Such actions are intended to be closely monitored by ESAAMLG that has set up a follow-up or monitoring process that will be organized and sequenced as follows:
- Stage 1 - 1<sup>st</sup> year following the adoption of the MER: finalization of the implementation plan with a primary focus on the core and key FATF Recommendations rated “Partially Compliant” (PC) or “Non Compliant” (NC), (see Attachment D). The first follow-up report (a year after the adoption of the MER) will consist in presenting the implementation plan (and the consequent national strategy) and the first steps taken to address the deficiencies highlighted in the MER in relation to the FATF core and key Recommendations;
  - Stage 2 – 2<sup>nd</sup> year following the adoption of the MER: continuation of the execution of the implementation plan as adopted in Stage 1 (with possible necessary adjustments although the focus on the core and key FATF Recommendations should be kept). The second follow-up report (two years after the adoption of the MER) will consist in presenting the progress accomplished by the assessed country to improve its compliance with the key and core Recommendations based on the agreed implementation plan;
  - Stage 3 – 3<sup>rd</sup> year following the adoption of the MER: it is expected from the assessed country a full and detailed report (3<sup>rd</sup> follow-up report) on the actual outcomes and achievements of the implementation plan. It is expected that the level of compliance with the core and key Recommendations will have significantly improved and that the assessed country will be able to provide evidences of the progress made. At this stage of the process, the implementation plan will be expanded to the non-core and non-key Recommendations rated PC or NC.
66. It is essential for the Secretariat and the technical assistance providers to be closely associated to this process. Once a MER is adopted, the assessed country, the Secretariat and the TA providers should meet face-to-face to discuss the implementation plan and organize/prioritize the TA work. This face-to-face meeting should occur in the margins of the meeting where the MER is adopted (implementation plan discussions, see separate schedule).
- ESAAMLG has agreed to adopt further detailed guidance to organize the monitoring process, see Attachment D.
67. Follow-up reports (to be delivered by the assessed countries to the Secretariat two months prior to the Task Force meeting) should be reviewed by the Secretariat and a limited number of members’ countries that will prepare a

summary of the progress made by the evaluated jurisdiction in implementing the recommendations arising out its MER. The progress reports and the summaries will be discussed and adopted by the Task Force. As appropriate, the Task Force may question the assessed countries as to the progress made in response to the MER recommendations.

68. At the end of the ESAAMLG evaluation round, ESAAMLG will engage into a review of the monitoring process (general and specific, i.e. per country) to assess the progress made and will consider possible next steps in the evaluation/implementation process.
69. Evaluated countries will provide annual updates to the Secretariat describing measures that have been identified and implemented to remedy identified deficiencies in relation to the 40+ 9 Recommendations.
70. ESAAMLG members will consider the progress report and, as appropriate, may question the evaluated jurisdiction as to the progress made by it in response to the recommendations contained in the MER. In the case of lack of substantive or timely progress, ESAAMLG members could decide to accelerate or prolong the follow-up process to ensure maximum compliance (see also paragraph 71 below).
71. In the event that the Task Force considers that a jurisdiction has not made sufficient progress to address the recommendations contained in the MER and to bring itself into compliance with the international standards, members may need to consider whether a member is in breach of ESAAMLG membership requirements. In these circumstances, members may consider whether any formal steps are required, to ensure that the member country complies with the ESAAMLG MOU.
72. At the time of the adoption of the MER and in the case the assessed country has not implemented an AML/CFT law that addresses in priority the core and key FATF Recommendations, or during the monitoring process, in the case an ESAAMLG member is not taking satisfactory steps to deal with the identified

deficiencies<sup>8</sup> in the MER and to implement the measures under the implementation plan, ESAAMLG members may need to consider whether any formal steps may be required to ensure that the member country complies with the ESAAMLG MOU.

73. The steps for dealing with the circumstances described above are the following:
- Requiring the assessed country to provide follow-up reports on its progress in implementing the Recommendations at each Task Force meeting and it would be expected to be significantly in compliance within a fixed timeframe;
  - Sending a letter to the relevant minister(s) in the member country drawing its attention to non-compliance with the FATF Recommendations and the ESAAMLG membership requirements;
  - Organizing a high level mission to the member jurisdiction in question to reinforce this message. This mission would meet with Ministers and senior officials;
  - Referral to the FATF International Cooperation Review Group and issuing a formal ESAAMLG statement to the effect that the member jurisdiction is insufficiently in compliance with the FATF Recommendations and recommending appropriate action (as set out in Recommendation 21);
  - Suspending the country's ESAAMLG membership until all membership requirements have been met.
  - Terminating the country's ESAAMLG membership.

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<sup>8</sup> Examples of lack of satisfactory steps to implement the MER recommendations are as follows (this list is not intended to be exhaustive):

- At the time of the adoption of the MER, the assessed country has not implemented an AML/CFT law that addresses in priority the core and key FATF Recommendations;
- Within a year after the adoption of the MER, the assessed country has not presented an adequate/robust implementation plan;
- Within a year after the adoption of the MER, the assessed country has taken no or very limited action under the implementation plan;
- Between two follow-up reports, the assessed country is making no progress in at least one area of reforms as defined in the implementation plan (for instance, the AML/CFT law has not been amended accordingly to the MER recommendations, or the FIU functioning still presents major deficiencies and no measures or very limited measures have been taken to remedy them, or the basic CDD requirements are still missing, or there is still no supervision for AML/CFT purposes, or the international cooperation issues have not been addressed);
- Three years after the adoption of the MER, the MER recommendations in relation to the FATF core and key Recommendations have only been partially addressed and the level of compliance with these fundamental FATF requirements remains low.

## **V. Joint Mutual Evaluations with the FATF/OGBS**

74. Where ESAAMLG members are also members of the FATF/OGBS, joint evaluations shall be conducted with the FATF/OGBS. The FATF/OGBS and the ESAAMLG will agree on the number of evaluators that will be provided by each organisation. Both the FATF/OGBS and ESAAMLG Secretariats will participate in the evaluation.
75. The procedures for preparing and adopting the draft MER will require further consultation with the FATF/OGBS and the jurisdiction concerned, on a case-by-case basis. The timing of the respective ESAAMLG Task Force and Council of Ministers meetings and FATF/OGBS Plenary meeting would determine the procedures for finalisation and adoption of the MER. In any case, the MER will be considered both in the ESAAMLG Task Force Meeting and a FATF/OGBS Plenary meeting.
76. The FATF's policy is that FATF members that are also members of an FSRB will undergo a joint evaluation by both bodies. The FATF procedures for preparing the draft MER would be the same as for a normal FATF mutual evaluation, with the report being discussed and finalized in the FATF Plenary<sup>9</sup>. This process already allows for considerable FSRB input in this exercise since an FSRB expert and the FSRB Secretariat participate at every step of the process. Moreover, the draft report is shared with the FSRB and its members. In addition, on the basis that the FSRB allows reciprocal participation in the mutual evaluation discussions for FATF members, the following additional steps are added to the evaluation process for joint evaluations:
  - a) FSRBs would be given a specific opportunity to intervene during the Plenary discussion of the MER;
  - b) All the FATF assessors on the assessment team are encouraged to attend the FSRB Plenary at which the joint evaluation report is discussed, and at least one FATF assessor should attend the FSRB Plenary.
  - c) In the exceptional case where a report was agreed within the FATF but subsequently the FSRB identified major difficulties with the text of the report, then the FSRB Secretariat would advise the FATF Secretariat of the issues, and the issues could be discussed at the following FATF Plenary.
77. The FATF Procedures this allow for input from ESAAMLG members in the FATF Plenary consideration of a joint report.
78. Bearing in mind the FATF procedures as described above and the need to streamline procedures for adopting reports of jurisdictions which are members of both the ESAAMLG and the FATF, where a report has already been adopted by the FATF, the ESAAMLG will use an abridged process for adoption of the report by the ESAAMLG. This would mean that the adoption process will take

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<sup>9</sup> See the FATF «Third round of AML/CFT Mutual Evaluations Process and Procedures» on the FATF Website ([www.fatf-gafi.org](http://www.fatf-gafi.org))

less time for ESAAMLG Task Force consideration and will include some of the following:

- The entire assessment team will not be required to be present at the ESAAMLG Task Force meeting though it would be preferable if as many evaluators as possible could be present;
- Members of ESAAMLG will be given an opportunity to discuss and raise issues of concern on the mutual evaluation conducted by the FATF/OGBS or World Bank/IMF (the issues raised in the context of the FATF/OGBS ERG process will be presented at the Task Force meeting);
- The time taken for the evaluators to present the major findings of the report and for the country to respond will be reduced;
- The assessed country under evaluation will not be required to send a delegation sufficient to deal with the report to both an FATF Plenary and an ESAAMLG Task Force meeting.

## **VI Change of Standards**

79. It is notable that on-going work within the FATF can lead to changes to the FATF standards and in turn to the 2004 Methodology. ESAAMLG mutual evaluations are based on the FATF standards and the 2004 Methodology as updated.
80. Members that are being evaluated after the date of any changes will be evaluated on the basis of the FATF standards and the 2004 Methodology as they exist at the date on which the MEQ is sent to the evaluated country by the Secretariat. Even where the standards are amended after that date, countries may choose to be evaluated on the revised standards. The report should state if an evaluation has been made against new or recently amended standards i.e. revised within six months prior to the on-site visit. To ensure that there is equality of treatment, if members have been evaluated prior to that date, and the relevant change has not been assessed or addressed, the revised elements of such members systems could be assessed as part of the post evaluation monitoring process (see section IV above).

## **VII. Co-ordination with the IMF and World Bank**

81. The ESAAMLG formally agreed at its 2003 Council of Ministers Meeting to co-operate with the IMF and World Bank<sup>10</sup> in assessing ESAAMLG members. The broad intention is that evaluations whether led by the Fund/ Bank or by the FATF or FSRBs should be interchangeable and should use consistent procedures. It is also intended that a co-ordinated approach be taken to the

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<sup>10</sup> The assessment procedures of the IMF and World Bank do not allow for Joint Evaluations/ Assessments to be undertaken. The ESAAMLG may send an observer during the on-site visit to the assessed country.

conduct of evaluations globally, to reduce both duplication of evaluations and inconsistencies between them.

82. There are thus two broad aspects to the co-operation between the ESAAMLG and the IMF and World Bank:
- Use by the IMF and World Bank of ESAAMLG MERs; and
  - Use by the ESAAMLG of IMF/World Bank Assessment Reports.
83. In addition, it has been agreed between FATF/FSRBs (including ESAAMLG) and the IMF/World Bank that the executive summary of all MERs will be submitted to the Fund/Bank in ROSC format for reference and possible use in future FSAP/OFC reports.

#### **VII.1 *Use by the IMF and World Bank of ESAAMLG MERs***

84. The basic products of the evaluation process are the MER, the executive summary and the ROSC (which is virtually identical to the executive summary). The ROSC is included in the FSSA reports issued by the IMF, which may be published. ESAAMLG members may choose to participate in the IMF-World Bank FSAP process, and the product of that process is an IMF Financial System Stability Assessment (FSSA) or a stand-alone assessment, or a World Bank FSA. With respect to AML/CFT, FSSA reports are in two parts; part I- an overview of financial sector issues and part II-Reports on Observance of Standards and Codes (ROSCs). Where members decide that they will participate in the FSAP process, combined with an ESAAMLG mutual evaluation they should coordinate with the Secretariat and the IMF/World Bank on the timing of the FSAP and mutual evaluation at the earliest possible date.
85. The Fund and the Bank have prepared a technical Guidance Note to FATF/FSRBs on the Timing and Preparation of Inputs from Mutual Evaluations for the FSAP and OFC Programs ([Attachment C](#)). The Secretariat will prepare the required inputs, namely the key findings, the MER and the ROSC, from mutual evaluations for the purposes of the IMF/World Bank FSAP and the IMF OFC programs in accordance with these Guidance Notes.
86. The process regarding ROSCs is as follows. The draft ROSC is agreed by the evaluated country and the evaluators, and the ROSC is sent to the IMF for its “pro forma” review. This review entails the Fund reviewing the MER and the ROSC and checking to see if the summary fairly reflects the contents of the MER. No judgment is made regarding the factual findings or substance of the MER conclusions, rather the IMF reviews consistency between the MER and the summary. It then provides its comments at least one week before the Task Force meeting. The Evaluation Team and the evaluated country are free to accept or disregard these comments. Following the Council of Ministers, the ROSC is finalised and provided to the Fund. As a general rule, the ROSC



(including the tables and authorities comments) should not exceed 15 pages. The evaluated country may provide comments on the ROSC, which will be added at the end of that document.

87. The pro forma changes that need to be added to the text of a ROSC would be as follows:
- Adding a formal paragraph at the beginning:

“This Report on the Observance of Standards and Codes for the FATF 40 Recommendations and 9 Special Recommendations on Anti-Money Laundering and Combating the Financing of Terrorism was prepared by the ESAAMLG. The report provides a summary of the AML/CFT measures in place in [country] as at [date], the level of compliance with the FATF 40+9 Recommendations, and contains recommendations on how the AML/CFT system could be strengthened. The views expressed in this document have been agreed upon by the ESAAMLG and [country], but do not necessarily reflect the views of the Boards of the IMF or World Bank.”
  - Adding table 2 of the MER
88. For the purpose of the FSSA or FSA the IMF/World Bank requires a set of “key findings” to be prepared. The “key findings” are a summary of the ROSC (between 400-800 words). The key findings will be prepared as initial paragraphs in the executive summary, and will be available for inclusion in the FSSA/FSA documents.

## **VII.2 Use by ESAAMLG of IMF/World Bank Assessment Reports**

89. ESAAMLG members will consider and adopt for ESAAMLG mutual evaluation purposes assessment reports on ESAAMLG members conducted by the IMF and the World Bank.
90. While using the same Assessment Methodology and supporting documentation, there are some procedural and practical differences in the conduct of ESAAMLG mutual evaluations of ESAAMLG members versus Fund/Bank assessment of an ESAAMLG member. The procedural issues include:
- Scheduling of assessments of ESAAMLG members by the IMF and World Bank. It is essential that the ESAAMLG and Fund/Bank schedules be co-ordinated. An agreement on respective schedules for every year should take place as early as possible. Where the Fund or Bank plans to carry out an assessment of an ESAAMLG member, the ESAAMLG should be notified as far in advance as possible.
  - Distribution of the Detailed Assessment Report (DAR), the executive summary and ROSC to the ESAAMLG members. According to these mutual evaluation procedures the draft DAR, executive summary and the

ROSC should be sent to ESAAMLG members at least 4 weeks prior to the ESAAMLG Task Force Meeting.

- Review of the DAR and ROSC by the ERG.
- Discussions and adoption of the DAR/ROSC by the Task Force.
- Approval and adoption of the DAR/ROSC by the Council of Ministers.

**ESAAMLG Secretariat**  
**August 2008**

## Finalisation Schedule for ESAAMLG Mutual Evaluation Process

DATE	WEEK	ACTION TO BE TAKEN
<b>Before the on-site visit</b>		
As soon as possible but at least 6 months before the on-site visit	-24	Agree on date for on-site visit and for Task Force Meeting discussion of mutual evaluation report.
At least 4 months before the on-site visit	-16	Secretariat sends a copy of the MEQ to the jurisdiction
At least 2 months before the on-site visit	-8	<ol style="list-style-type: none"> <li>1. Response to MEQ together with copies of all relevant laws, regulations and other documents (in the original language and English) returned to Secretariat (in electronic form).</li> <li>2. The Secretariat will forward these documents to the evaluation team.  In the meantime, Secretariat to prepare draft outline report and identify issues relevant to the ME</li> <li>3. Secretariat to send email to ESAAMLG members, FATF and other FSRBs regarding experiences concerning international co-operation of ESAAMLG members and members of FATF and other FSRBs with the evaluated country or any other issue that they wish to raise during the on-site visit..</li> </ol>
At least 1 month before the on-site visit	-4	<ol style="list-style-type: none"> <li>1. Evaluated jurisdiction to provide draft schedule of on-site meetings to the Secretariat.</li> <li>2. Secretariat, evaluators and jurisdiction to finalise meeting schedule.</li> <li>3. Secretariat to send supplementary questions, if any, to evaluated jurisdiction.</li> </ol>
At least 3 weeks before the on-site visit	-3	Secretariat to advise evaluated jurisdiction of the evaluators and ESAAMLG Secretariat staff participating in the evaluation.

DATE	WEEK	ACTION TO BE TAKEN
No later than 1 week prior to the on-site visit	-1	<ol style="list-style-type: none"> <li>Secretariat to provide evaluators with               <ol style="list-style-type: none"> <li>an outline of the MER based on the material received from the jurisdiction; and</li> <li>a list of issues that the Secretariat has identified and which needs to be clarified or further discussed during the on-site visit</li> </ol> </li> <li>Jurisdiction to provide response to supplementary questions (if any).</li> <li>Final date by which ESAAMLG members, FATF members and other FSRB's members provide information on their international co-operation experiences with the evaluated country and ESAAMLG members to notify Secretariat of any questions or issues they would like to see raised by evaluation team.</li> </ol> <p>The information is provided to the evaluation team and the evaluated country.</p>
<b>ON-SITE VISIT</b>		
First half day	0	Half day preparatory meeting between Secretariat and Evaluators.
Up to 8 working days	0	Meetings with all government and private sector bodies
Next 1-2 days	0	Evaluators and Secretariat work on draft MER, and prepare draft where all major issues and recommendations are noted, as well as ratings given.
<b>After the on-site visit</b>		
Within 3 weeks of on-site visit	3	Evaluators to provide Secretariat with written report on any additional findings
Within 5 weeks following receipt of last evaluator's report (8 weeks after on-site)	8	Secretariat to prepare draft MER to send to evaluators for their comments
Within 2 weeks of receipt of draft report	10	Evaluators provide comments on the draft MER to the Secretariat.
Within 1 week of receipt of last evaluator's comments	11	Revised draft report sent to jurisdiction for comment and to evaluators.
	12	Secretariat to send Executive Summary of MER to evaluators
Within 5 weeks of jurisdiction	16	<ol style="list-style-type: none"> <li>Comments from jurisdiction sent to Secretariat and</li> </ol>

DATE	WEEK	ACTION TO BE TAKEN
receiving draft report		forwarded to evaluators.  2. Evaluators provide comments on the Executive Summary, which is sent to the jurisdiction, along with draft ROSC (ROSC is same text as summary, with pro-forma paragraphs added)
Within 2 weeks of receipt of jurisdiction comments	18	1. Evaluators advise on jurisdiction comments and first draft report (for Task Force Meeting) prepared and sent to jurisdiction and evaluators.  2. Comments from jurisdiction on the Executive Summary and ROSC sent to Secretariat, and Secretariat makes changes as appropriate.
Minimum 7 weeks before the Task Force Meeting		1. Where requested by the evaluated country, the evaluation team (including Secretariat) and the country meet by teleconference and/or face to face to further discuss the draft report. At least one week prior to any further meeting the country must provide a 2 <sup>nd</sup> set of comments and other material in writing to the evaluation team.  2. Secretariat requests members to advise on names of experts interested in participating in the ERG for the Task Force meeting.
Minimum 6 weeks before the Task Force		Where the IFIs are conducting an assessment of an ESAAMLG member, the draft DAR to be provided to the ESAAMLG Secretariat.
Minimum 5 weeks before Task Force meeting		Secretariat to draw up a list of interested experts that will participate in the ERG.
Minimum - 4 weeks before Task Force Meeting		1. Secretariat sends draft report, including summary, to all members.  2. Secretariat sends draft ROSC to IMF for pro-forma review, with copy to jurisdiction and examiners  3. Secretariat requests countries to send written comments on the key issues raised in the MER (2 weeks)
Minimum – 2 weeks before Task Force Meeting		Deadline for written comments on the draft report (MER and DAR) to be received from members (including the prioritised issues of the evaluated country)

DATE	WEEK	ACTION TO BE TAKEN
Minimum - 1 week before Plenary	20+	IMF/World Bank provides comments after pro-forma review. These comments are provided to the jurisdiction and evaluators.  Secretariat to distribute a summary of the draft set of key issues to the ERG members.
<b>TASK FORCE MEETING WEEK</b>		
Monday		If required, discussions between evaluators and jurisdiction to try to reach agreement on the wording of the draft MER and Executive Summary (and thus, by consequence, the ROSC) and preparation of a set of written agreed amendments
Monday or Tuesday		Final draft of MER, Executive Summary and ROSC provided to members. If issues/wording not agreed, separate document prepared for Task Force meeting setting these out.
		The Expert Review Group will meet with the evaluators and evaluated country and review the MER.
Wednesday/Thursday - Task Force discussion of MER		Main discussion of MER and executive summary  If Task Force agree MER and summary – they should be adopted. Task Force to discuss any special follow up measures that may be required.  Task Force to make recommendation to Council for the approval and adoption of the MER.
Council of Ministers Meeting		Adoption of MER
<b>POST COUNCIL OF MINISTERS MEETING</b>		
Two weeks following the meeting of the Council of Ministers		Secretariat prepares revised MER, Executive Summary and ROSC based on any agreed written amendments and any amendments made during the Task Force discussion, and sends to jurisdiction.
Within 6 weeks of the Ministerial		1. Jurisdiction confirms report is accurate and/or advises of any typographical or similar errors in MER, Executive Summary and ROSC and gives authority for publication of MER and Executive Summary.  2. MER to be published on ESAAMLG website.  3. Final version of MER and ROSC sent to FATF, other FSRBs (on reciprocal basis) and IFIs.



### CONFIDENTIALITY UNDERTAKING

I, [name of evaluator/observer], of [Country of evaluator or relevant Secretariat] having agreed to participate in the mutual evaluation of [country], hereby undertake to keep, as **confidential**, all information and documents imparted to me or generated in the course of the mutual evaluation process. I further undertake not to disclose to any third party any such information or document unless expressly authorised in writing to do so by the Government of [evaluated country].

Signed .....

Name of Evaluator/Observer.....

Date.....

Witnessed by

.....

Name of Witness

Signature.....

Date.....

## ATTACHMENT C

### AML/CFT—GUIDANCE NOTE TO FATF/FSRBs ON THE TIMING AND PREPARATION OF INPUTS FROM MUTUAL EVALUATIONS FOR THE FSAP AND OFC PROGRAMS

1. This guidance note is for FATF and FSRB evaluators to prepare the AML/CFT inputs that are a component of the IMF and World Bank Financial Sector Assessment Program (FSAP) and the IMF offshore financial center (OFC) program. For the two programs, three AML/CFT inputs are required: (i) the key findings; (ii) the mutual evaluation report (MER); and (iii) the Report on the Observance of Standards and Codes (ROSC). In addition, FATF/FSRBs and the IMF/WB have agreed that the executive summary of all MERs should be submitted to the Fund/Bank in ROSC format for reference and possible use in future FSAP/OFC reports.

#### Introduction

2. In March 2004, the IMF and World Bank Boards agreed that an AML/CFT assessment, including a ROSC, shall be included in all financial sector assessments under the FSAP and OFC programs (see <http://www.imf.org/external/np/sec/pn/2004/pn0433.htm>). This decision was reaffirmed by the IMF Board on May 10, 2006 and the procedures for integrating FATF/FSRB evaluations into the FSAP process were modified as described in this paper. ( see [citation])

3. According to these Board decisions, either (i) the mutual evaluation prepared by the FATF/FSRBs; or (ii) the detailed assessment prepared by the Bank/Fund can be used for the purposes of the FSAP and OFC programs. The mutual evaluations and detailed assessments would both need to be prepared according to the most recent methodology (see <http://www.imf.org/external/np/aml/eng/2004/031604.pdf>) and, to the extent possible, be conducted within 18 months before or after the relevant FSAP/OFC assessment mission. Once an assessment under the most recent methodology has been conducted, every country should be reassessed approximately every five years. The Board also called on Fund staff, the FATF, FSRBs, and country authorities to engage as early as possible in the planning process to encourage greater synchronization of assessment schedules and minimize scheduling conflicts.

#### Required Inputs

##### *Key findings document*

4. The key findings document is required by the FSAP and OFC assessment teams in order to prepare the financial sector assessment reports. The key findings will be integrated into the FSSA/FSA and the OFC Volume I reports that are forwarded to the Fund and Bank Boards. The document may be prepared either by the FATF/FSRB or the FSAP/OFC assessment team. For the FSAP/OFC team to draft the key findings, it would be necessary that they have the AML/CFT ROSC or MER (in draft or final form).



5. The key findings document should be about 300 words depending on the significance of the findings. It would contain a discussion on the adequacy of (i) legal systems and related institutional measures; (ii) preventive measures for the financial sector; (iii) preventive measures for *designated non-financial businesses and professions* (DNFBPs); (iv) legal persons and arrangements and non-profit organizations and (v) national and international cooperation. The summary will be used by the FSAP/OFC mission chief in the preparation of the FSSA/OFC/FSA report. The FSAP/OFC mission chief retains ultimate responsibility for the FSSA/OFC/FSA reports, and may exercise some editorial discretion over the drafting of the key findings. In all cases, a footnote will indicate that the results on AML/CFT were based on a mutual evaluation carried out by the respective FATF/FSRB and whether a ROSC is available at the time of the preparation of the FSSA/OFC/FSA Report or that the key findings are based on a draft report. If a ROSC is not available, there should be an indication of the timing for when a ROSC can be anticipated.

6. Since the key findings would be included in the Board report, ideally they should be made available to the FSAP/OFC mission chief at least one week prior to the date that the report is to be issued to the Fund and Bank Boards or typically four weeks prior to Board discussion.

#### *Mutual Evaluation Report*

7. ***The Mutual Evaluation Report*** (MER), should be finalized within 18 months of the start of the relevant FSAP/OFC mission. The finalization of the report would be in accordance with the current practices used by the FATF/FSRBs, which normally is that the reports are reviewed during the plenary discussions. In exceptional cases where unavoidable scheduling conflicts prevent an AML/CFT assessment from being completed within 18 months of the relevant FSAP or OFC mission, the AML/CFT assessment documentation can be submitted later as a supplement.

8. For some FSAP/OFC assessments, the FATF/FSRB will have previously carried out a mutual evaluation using the most current methodology prior to the FSAP/OFC mission. To ensure that the FSAP/OFC team has relatively current information on AML/CFT issues, the mutual evaluation mission should ideally have taken place within 18 months prior to the first FSAP/OFC mission date. Under no circumstances will a report more than five years old be acceptable and if there has been a significant deterioration of the AML/CFT environment in the jurisdiction since it was last assessed, Bank/Fund staff, the FATF/FSRB, and the country would seek to reach agreement to either bring a scheduled FATF/FSRB assessment forward or to conduct a Bank/Fund assessment.

#### *Report on the Observance of Standards and Codes (ROSC)*

9. A **ROSC** needs to be prepared by the FATF/FSRB based on the results of the MER. The ROSC should be prepared using the approved ROSC template (attached) by the FATF/FSRB. It should be finalized shortly following the adoption of the MER by a plenary. Before the ROSC can be finalized, it should be reviewed by the IMF/WB. This review will be pro forma, with IMF/WB

staff looking to ensure that the tone and conclusions of the assessment are accurately reflected in the ROSC and that the ROSC template is respected. To provide for Bank/Fund review, the final MER and draft ROSC should be forwarded by electronic mail to the FATF/FSRB IMF/WB points of contact.

## Guidance to Countries in Designing Implementation Plans

### *Background and objectives*

1. This Guidance is intended to provide post-evaluation implementation support to ESAAMLG countries that have been subject to an AML/CFT assessment/evaluation and need to take action to improve their compliance with the international standard and implement the recommendations drawn from the reports. It is intended to help ESAAMLG countries prioritizing and sequencing the implementation of these recommendations essentially on the basis of the “core” and “key” FATF Recommendations. This Guidance is also expected to guide ESAAMLG countries when drawing their implementation plans to (1) allocate resources efficiently and effectively; (2) identify and assign a lead agency responsible for implementation; (3) set out realistic completion dates for key outputs and recommendations. Implementation issues and structural characteristics of individual jurisdictions (political will and commitment, lack of a central coordination mechanism or failure to identify a primary agency, etc.) should also be taken into account when designing such plans.
  
2. Before considering the details of the measures being taken in relation to the “core” and “key” FATF Recommendations, the assessed country should provide separate input and identify specific needs as follows:
  - In response to the ML/TF risks identified in the MER, what are the measures the country has taken to specifically address these risks;
  - Identify any needs to strengthen institutional framework, including training and resources allocation (R.30);
  - The actions taken, the mechanisms created to improve the domestic cooperation and coordination in the AML/CFT area (please refer to the specific requirements under Recommendation 31) and the extra assistance that may be required in this area;
  - Awareness raising needs (public and private stakeholders);
  - Any new statistics the country may have collected under Recommendation 32 as indicators to effectiveness.
  
3. The “core” and “key” recommendations as defined by the FATF provide the foundation of an effective AML/CFT regime. The implementation monitoring process should be organized around **five building blocks** comprising “core”<sup>11</sup> and “key”<sup>12</sup>

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<sup>11</sup> i.e. R.1, SRII, R.5, R.10, R.13 and SRIV.

<sup>12</sup> i.e. R.3, SRIII, R.4, R.26, R.23, R.35, R.36, R.40, SRI and SRV.

recommendations that must be implemented by a jurisdiction as a matter of priority (see proposed templates below):

Building Block 1 - *Legal framework*: criminalization of ML and TF, provisional measures/confiscation and freezing and confiscating terrorist assets (R.1, R.3, SR.II and SR.III);

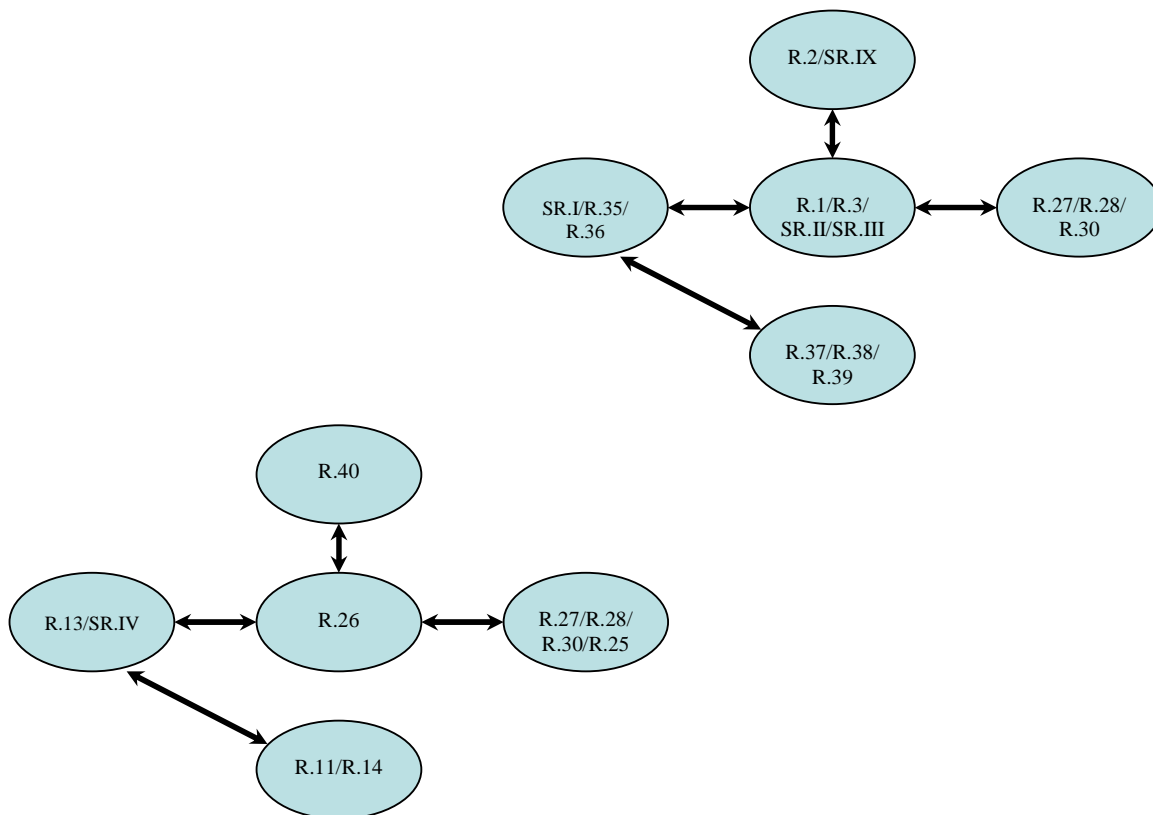
Building Block 2 - *Financial Intelligence Unit* (R.13, SR.IV and R.26);

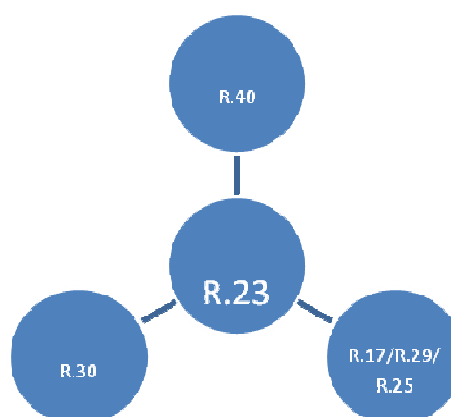
Building Block 3 - *Preventive measures* (R.4, R.5, R.10);

Building Block 4 - *Regulation and supervision* (R.23); and

Building Block 5 - *International cooperation* (R.35, R.36, R.40, SR.I and SR.V).

4. It is important to note that the building blocks should not be taken in total isolation. Addressing the “core” and “key” recommendations may necessitate concurrent implementation of other related implementation or it may be more effective to concurrently implement other related Recommendations in conjunction with one core or key Recommendation. Where relevant, jurisdictions should consider taking the related recommendations into account when designing the Implementation Plans. Examples of such interaction are as follows:





### Implementation Plan Template (Annex 1)

5. The proposed template provides criteria for prioritizing MER recommendations and for identifying other important implementation requirements. When designing the details of the implementation plan, jurisdictions should take into accounts specific circumstances that are unique to the assessed jurisdiction such as (1) specific ML/TF risks as highlighted in the MER; (2) the specific needs for capacity building (especially in relation to R.30) and coordination efforts (R.31) as pre-requisite FATF Recommendations for effective implementation of any AML/CFT framework. The specific needs for awareness raising should also be identified.
6. An explanation of the different columns of the template is provided below:

Column	Explanation
Prioritization areas/ratings - Column 1	Populate Column 1 with “core” and “key” areas grouped into the five building blocks described above. Populate with the rating for each individual recommendation.
MER Recommendations i.e. output required – Column 2	Populate Column 2 with MER Recommendations (see Table 2 of the MER) based on the prioritization areas in Column 1.
Implementation plan – Column 3	<p>The Implementation Plan should list actions required to implement the MER recommendations or output required. Assessed countries should be able to formulate concrete actions in response to the MER recommendations with the ultimate objective to enhance their compliance with the FATF standards.</p> <p>The elaboration of the Implementation Plan should be designed taking into account specific domestic circumstances/constraints/needs such as:</p> <ul style="list-style-type: none"> <li>• ML/TF risks (as highlighted in the MER). Such risks, when identified, should be given priority;</li> <li>• Implementation issues (ex: lack of resources, coordination and cooperation issues between agencies, political will and</li> </ul>

	<p>commitment);</p> <ul style="list-style-type: none"> <li>• Needs for awareness-building (both vis-à-vis public sector authorities and private sector) and capacity building, etc.</li> </ul>
Lead agency/secondary agency(ies) – Column 4	Identify and assign a primary or lead agency responsible for implementing the MER recommendations to ease the identification of resourcing requirements and the follow-up of the measures undertaken. It might be relevant in certain occasions to identify a secondary agency(s) that will work in collaboration with the primary agency in implementing the MER recommendations.
Expected completion timeframe – Column 5	The implementation plan should contain clear and realistic timelines for the country to achieve some results. There should be some flexibility in this area (detailed timeframe should be left to the ESAAMLG, assessed countries and TA providers) but some general indicators should be agreed. The annual reporting back to ESAAMLG should be maintained (although a more stringent review process could be adopted where the conditions of closer monitoring are met). For most of the objectives, a 12 to 18 months completion timeframe could be a reasonable indicator.
Technical Assistance needs (YES/NO)/Lead TA agency – Column 6	When designing the Implementation Plan, jurisdictions will identify measures to be taken in priority and should be able to indicate their potential technical assistance needs. One of the objectives of this monitoring system is also to streamline and coordinate the TA work (see details above).
Progress made – Column 7	For each follow-up report (although in a more succinct manner for the first one), the assessed countries should provide some feedback on the actions taken to improve their compliance with the non-core or non-key FATF Recommendations. It is important to recall that ESAAMLG countries are committed to implement all recommendations identified in the MERs and improve their level of compliance with all remaining recommendations (rated PC or NC) that are not directly captured in this implementation plan. Such progress should be mentioned in the third part of the template called <i>“III. Actions taken to remedy the other deficiencies”</i> .

#### Report back to the Task Force Meeting and Council of Ministers

7. As set out above, ESAAMLG countries are required to provide follow-up reports on an annual basis. The Secretariat and a small group of member countries (the “Review Group”) should play an important role in the monitoring process ensuring the coordination and the actual review of the progress made by the assessed countries in implementing the FATF Recommendations.
8. The written report to be delivered in advance to the Task Force meeting (two months in advance to the Secretariat and “Review Group”) should be structured as follows:

- A Note from the Secretariat and the “Review Group” summarizing the progress done by the country under the implementation plan;
- Recommended decision by the Task Force addressing the following circumstances: (1) the country seems to make sufficient progress and therefore should deliver a subsequent follow-up report as foreseen in the procedures; (2) in the case no substantial progress has been made, propose steps in the context of closer monitoring;
- Attached to this analysis, the appropriate completed follow-up template (see Annex 1);
- The jurisdiction should provide a full description of the progress made (in addition to the agreed templates) and copies of all relevant laws, regulations, etc. to support the statement. The jurisdiction should also provide any additional supportive information (especially in relation to the elaboration of its national AML/CFT strategy). When providing the third follow-up report (three years after the adoption of the MER), the jurisdiction should provide a very detailed and comprehensive report to explain the progress made to improve compliance vis-à-vis the core and key FATF Recommendations;
- A short note from the TA providers on the TA work being done and possible achievements in this area.

## ESAAMLG – Implementation Plan Template

The country should provide a written report as follows: (1) describe (in a narrative form) the main changes brought to the AML/CFT system since the adoption of the MER i.e. new law or regulation adopted, changes in the institutional structure of the AML/CFT policy if any, etc. (Part I); (2) complete the Implementation Plan Template (Part II).

**I. General information**

**1<sup>st</sup> follow-up report - Note to the jurisdiction**: as an introduction to the follow-up report, please provide a short introduction summarizing the main changes brought to the AML/CFT system since the adoption of the MER i.e. new law or regulation adopted, changes in the institutional structure of the AML/CFT policy if any, etc. Any new statistical data (see R.32) as indicators of effectiveness should also be provided. A description of the planned actions to be taken to remedy the deficiencies in relation to the non-key and non-core Recommendations could also be provided where relevant.

**2<sup>nd</sup> and 3<sup>rd</sup> follow-up reports - Note to jurisdictions**: as an introduction to the follow-up report, please provide:

- (1) a short introduction summarizing the main changes brought to the AML/CFT system since the adoption of the MER i.e. new law or regulation adopted, changes in the institutional structure of the AML/CFT policy if any, etc;
- (2) a detailed description of the progress made since the adaption to the MER to improve compliance with the core and the key FATF Recommendations;
- (3) any new statistical data (see R.32) as indicators of effectiveness;
- (4) a description of the actions taken to remedy the other deficiencies. In this section, please provide some feedback of the actions taken to remedy the deficiencies in the MER in relation to the non-key and non-core Recommendations.

**II. Implementation Plan Template**

Prioritisation areas/Rating	MER recommendations i.e. output required	Implementation plan	Lead agency/secondary agency	Expected Completion Timeframe	TA needs/Lead TA agency	Progress made
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Prioritisation areas/Rating	MER recommendations i.e. output required	Implementation plan	Lead agency/secondary agency	Expected Completion Timeframe	TA needs/Lead TA agency	Progress made
<b>ISSUES TO CONSIDER WHEN DESIGNING AN IMPLEMENTATION PLAN</b>						
ML and TF risks (as highlighted in the MER)						
Needs to strengthen institutional framework, including training and resources allocation (R.30)						
Efforts to improve national coordination (R.31)						
Awareness raising needs (public and private stakeholders)						
<b>BUILDING BLOCK I – LEGAL FRAMEWORK</b>						
I.1 Criminalisation of ML (R.1)/rating	1.					
	2.					
	Etc.					
I.2 Criminalisation of TF (SR II)/rating	1.					
	2.					
	Etc.					

Prioritisation areas/Rating	MER recommendations i.e. output required	Implementation plan	Lead agency/secondary agency	Expected Completion Timeframe	TA needs/Lead TA agency	Progress made
I.3 Confiscation (R.3)/rating	1. 2. Etc.					
I.4 Freezing/confiscation of terrorist assets (SR.III)/rating	1. 2. Etc.					
<b>BUILDING BLOCK II – FINANCIAL INTELLIGENCE UNIT</b>						
II.1 FIU (R.26)/rating	1. 2. Etc.					
II.2 Suspicious Transactions Reporting (R.13)/rating	1. 2. Etc.					
II.3 Suspicious Transactions Reporting (SR.IV)/rating	1. 2. Etc.					
<b>BUILDING BLOCK III – PREVENTIVE MEASURES</b>						
III.1 CDD (R.5)/rating	1. 2. Etc.					
III.2 Record	1.					

Prioritisation areas/Rating	MER recommendations i.e. output required	Implementation plan	Lead agency/secondary agency	Expected Completion Timeframe	TA needs/Lead TA agency	Progress made
keeping (R.10)/rating	2. Etc.					
III.3 Financial institution secrecy law 5R.4)/rating	1. 2. Etc.					
<b>BUILDING BLOCK IV – REGULATION AND SUPERVISION</b>						
IV.1 Regulation and supervision (R.23)/rating	1. 2. Etc.					
<b>BUILDING BLOCK V – INTERNATIONAL COOPERATION</b>						
V.1 International Conventions (R.35)/rating	1. 2. Etc.					
V.2 Mutual Legal Assistance (R.36 and SRV/ratings	1. 2. Etc.					
V.3 International cooperation and exchange of information (R.40 and SRV/ratings	1. 2. Etc.					
V.4 Ratification and implementation of UN instruments	1. 2. Etc.					

Prioritisation areas/Rating	MER recommendations i.e. output required	Implementation plan	Lead agency/secondary agency	Expected Completion Timeframe	TA needs/Lead TA agency	Progress made
(SRI)/rating						
V.5 International cooperation (SRV)/rating	1.					
	2.					
	Etc.					

