High-risk and other monitored jurisdictions

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Global safeguards to combat money laundering and terrorist financing (AML/CFT) are only as strong as the jurisdiction with the weakest measures. Criminals can circumvent weak AML/CFT controls to successfully launder money or to move assets to finance terrorism through the financial system. A key objective of the FATF is to continually identify jurisdictions with significant weaknesses in their AML/CFT regimes, and to work with them to address those weaknesses. The FATF's process helps protect the integrity of the international financial system by issuing a public warning about the risks emanating from the identified jurisdictions. These public warnings also put pressure on the identified jurisdictions to address their deficiencies in order to maintain their position in the global economy. Public identification, and the prospect of public identification, encourages countries to swiftly make significant improvements.

Review Process

The FATF continually identifies and reviews jurisdictions with strategic AML/CFT deficiencies that present a risk to the international financial system and closely monitors their progress. The FATF's International Co-operation Review Group (ICRG) oversees the process. The process began in 2007 and was enhanced in 2009. It was further updated in 2015 to take into account the revised FATF standards and mutual evaluation process, which assess the effective implementation of AML/CFT measures.

The FATF reviews jurisdictions based on threats, vulnerabilities, or particular risks arising from the jurisdiction. Specifically, a jurisdiction will be reviewed when:

1. It does not participate in a FATF-style regional body (FSRB) or does not allow mutual evaluation results to be published in a timely manner; or
2. It is nominated by a FATF member or an FSRB. The nomination is based on specific money laundering, terrorist financing, or proliferation financing risks or threats coming to the attention of delegations; or
3. It has achieved poor results on its mutual evaluation, specifically:
    - it has 20 or more non-Compliant (NC) or Partially Compliance (PC) ratings for technical compliance; or
    - it is rated NC/PC on 3 or more of the following Recommendations: 3, 5, 6, 10, 11, and 20; or
    - it has a low or moderate level of effectiveness for 9 or more of the 11 Immediate Outcomes, with a minimum of two lows; or
    - it has a low level of effectiveness for 6 or more of the 11 Immediate Outcomes.

A jurisdiction that enters the ICRG review process as a result of its mutual evaluation results has a one-year Observation Period to work with the FATF or its FATF-style regional body (FSRB) to address deficiencies before possible public identification and formal review by the FATF. The FATF then prioritises the review of those countries with more significant financial sectors – e.g. USD 5 billion or more in financial sector assets.

During the review process the FATF considers the strategic AML/CFT deficiencies identified both in terms of technical compliance and effectiveness of measures in place, and any relevant progress made by the jurisdiction. If the FATF deems the progress insufficient to address its strategic deficiencies, the FATF develops an action plan with the jurisdiction to address the remaining strategic deficiencies.

For all countries under ICRG review, the FATF requires a high-level political commitment that the jurisdiction will implement the legal, regulatory, and operational reforms required by the action plan.

Four regional Joint Groups of the ICRG carry out the reviews, covering: Africa/Middle East, the Americas, Asia/Pacific, and Europe/Eurasia. Each jurisdiction under review has the opportunity to participate in a face-to-face meeting to discuss the analysis of the Joint Group in advance of FATF plenary meetings.

Public Identification

The FATF publishes two statements at the end of each plenary meeting, in February, June, and October. These statements provide a short summary of the recent actions taken in accordance with each jurisdiction's action plan, as well as a list of the strategic deficiencies remaining to be addressed. The two statements reflect the different levels of risk posed at any given time by the deficiencies in the jurisdictions under review.

Improving Global AML/CFT Compliance: Ongoing Process Statement

This statement identifies those jurisdictions with strategic deficiencies in their AML/CFT regimes that are undergoing review by the FATF according to the agreed milestones and timelines. The FATF encourages its members to consider the ML/TF/PF risks arising from the strategic deficiencies of these jurisdictions. If a jurisdiction fails to make sufficient or timely progress, the FATF can decide to increase its pressure on the jurisdiction to make meaningful progress and protect the international financial system from these risks emanating from the jurisdiction by moving it to the FATF Public Statement.

FATF Public Statement

The FATF Public Statement identifies two groups of jurisdictions:

- Jurisdictions for which the FATF calls on its members and non-members alike to apply enhanced due diligence measures, which should be proportionate to the risks arising from the deficiencies associated with those jurisdictions. Enhanced due diligence measures include obtaining additional information on the customer, obtaining information on the source of funds and source of wealth of the customer, and enhanced monitoring of the business relationship.
- For jurisdictions with such serious, longstanding strategic deficiencies that have still failed to make progress after the FATF calls for enhanced due diligence, the FATF calls on its members and non-members alike to apply, in addition to enhanced due diligence, counter-measures in order to protect the international financial system from the ML/TF/PF risks emanating from those jurisdictions. Counter-measures range from specific elements of enhanced due diligence and systematic reporting of transactions involving the jurisdiction, to a limitation or prohibition of financial transactions with the jurisdiction.

The FATF provides further instructions and examples of enhanced due diligence and counter-measures (see the Interpretative Notes to Recommendations 10 and 19), and it is the responsibility of each country to implement the measures.

Removal from FATF Review

In order to be removed from FATF monitoring, a jurisdiction must substantially address all the components of its action plan. Once the FATF has determined that a jurisdiction has done so, it will organise an on-site visit to confirm that the implementation of the necessary legal, regulatory, and/or operational reforms is underway and there is the necessary political commitment and institutional capacity to sustain implementation. If the on-site visit has a positive outcome, the FATF will decide on removing the jurisdiction from public identification at the next FATF plenary. The concerned jurisdiction will then continue to work within the

FATF or the relevant FSRB, through its normal follow-up process, to improve its AML/CFT regime.

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