

Fund's Policy, Initiatives & Technical Assistance Programs

GOPAC/APNAC Workshop

November 5, 2003

Presented by: Francisco Figueroa
Monetary and Financial Systems
Department, IMF

Why is the IMF involved in Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT)?

- Objective:
 - “To provide its members with the machinery to help achieve and foster orderly underlying economic and financial conditions.”

AML/CFT

- Fact:
 - Money laundering and Terrorism can disrupt underlying economic and financial conditions.
 - IMF works with its members to help identify potential vulnerabilities and provides advice on how to develop and strengthen their financial systems.

AML/CFT

- The tragic events of September 11 propelled the issues of countering the finance of terrorism and the related instruments of anti-money laundering to the top of the IMF agenda.

Role of the IMF

- To intensify the work in the area of AML/CFT, as mandated by the IMFC (governing body).
- To combine international political commitment, involving 184 members, and the integration of AML/CFT into these instruments:
 - Regular Surveillance over the economic policies of members;

Role of the IMF

- Financial resources (together with the World Bank) to support reforms; and,
- Technical advice and assistance

Initiatives of the IMF

- Development of Uniform AML/CFT Methodology
 - AML/CFT are global problems, and to be effective there has to be a global and uniform response.
 - IMF & World Bank worked with the standard setters to develop a common approach to assess “worldwide” the AML/CFT standard.

Initiatives of the IMF

- Methodology:
 - Provides the context to deepen the analysis of the content of effective AML/CFT regimes.
 - Provides the framework to build a consensus on the role of the Fund/Bank on AML/CFT.
 - Allows the Fund/Bank to have a critical role to play in the legal, institutional and regulatory framework for AML/CFT
 - Provides oversight of the supervisory systems.

Initiatives of the IMF

- Methodology:
 - Covers a full range of AML measures including the legal and institutional arrangements, the internal control environments in financial institutions, information exchange and cooperation between financial institutions and governments, and the legal framework for the criminal justice systems.
 - Addresses terrorism financing by focusing on meeting the Financial Action Task Force's (FATF) 8 Special Recommendations.

Initiatives of the IMF

- Reviews countries' compliance with United Nations (UN) instruments, including the ratification of the applicable UN Conventions and Resolutions to fight terrorist financing.

Initiatives of the IMF

- Methodology:
 - Endorsed by the FATF and most of the FATF-style regional bodies have also subsequently endorsed it for use in their mutual evaluations.

Main Parts of the AML/CFT Methodology

- Criminal justice measures and international cooperations (e.g., freezing, seizure, and confiscation/forfeiture of assets)
- Preventative measures for financial institutions (e.g., CDD, recordkeeping requirements)
- Sector specific criteria (e.g., banking, securities and insurance sectors)

Integrating AML/CFT into the work of the Fund/Bank

- Integrate the FATF 40 plus 8 Recommendations for AML/CFT
- Outcome:
 - Provides a highly effective means of upgrading regulatory systems by focusing on the adequacy of AML/CFT regimes.

Integrating AML/CFT into the work of the Fund/Bank

- Pre-conditions:
 - Uniformity: achieved through the development of the common methodology and through the acceptance by all assessors (the Fund, the Bank, the FATF and FATF-style regional bodies) to use the methodology to conduct their assessments.
 - Cooperative and voluntary assessment: participation in the assessment is voluntary and there is no Non-Cooperative Countries & Territories (NCCT) list as with FATF.

AML/CFT Assessments

- Integration of AML/CFT assessments using the methodology into the Fund/Bank comprehensive assessments of the financial sector (FSAPs) and the Fund's assessment of Offshore Financial Centers (OFCs); and
- Incorporation of a questionnaire on AML/CFT in the context of the Fund's annual consultations with its members (Article IV consultations).

IMF/WB Technical Assistance

- Technical assistance in:
 - Drafting of AML/CFT laws and regulations that meet international best practices.
 - Implementing laws, and regulations, policies and procedures by financial sector supervisors and other government agencies.
 - Training and building institutional capacity through organizing regional training projects.
 - Establishing the legal framework for financial intelligence units that meet Egmont Group requirements.

AML/CFT Technical Assistance

- Conducting Global Dialogue Series through video conferences to sensitize member countries on AML/CFT issues,
- Coordinating global inter-agency assistance by establishing a data base for sharing of information on technical assistance needs and the delivery of technical assistance by donors.
- Strengthening corporate governance, accountability and transparency frameworks.

Prerequisites for Sustained Progress

- What can leaders within individual countries do to enhance compliance with international standards?
 - Political commitment to:
 - fight financial abuse
 - transfer that commitment to concrete action by passing laws and assigning resources.
 - Identify and draw on assistance available through:
 - IMF and the World Bank
 - Other bilateral and multilateral donors

Prerequisites for Sustained Progress

- Subscribe to the principles of transparency.
- Exert peer pressure to bring questions of financial market integrity, governance and corruption out of the dark and into the light.

Conclusion

- The Fund and the World Bank are ready to provide assistance in their areas of expertise. We need your help to get the message out and to strengthen the commitments of countries to take actions to address weaknesses in their AML/CFT regimes.

AML/CFT Reference Materials

- WWW.IMF.ORG
- WWW.FATF-GAFI.ORG
- WWW.BIS.ORG
- WWW.OECD.ORG
- WWW.UN.ORG