

Managing Referrals From FATF's International Cooperation Review Group



**Asia/Pacific Group
on Money Laundering**

2017

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MANAGING REFERRALS FROM FATF'S INTERNATIONAL COOPERATION REVIEW GROUP

A. BACKGROUND

1. Since 2013 the APG has accepted referrals from the FATF's ICRG at the point of APG members being removed from the ICRG process. FATF referrals have related solely to residual issues of FATF concern following substantial completion of the affected member's ICRG Action Plan. The APG has been requested to monitor the member's progress with the referred issues and to share information with the FATF on progress made as and when requested. The FATF has exercised its residual discretion to request the APG to update the ICRG from time to time over the last three years.
2. The APG has accepted such referrals in order to assist its members to exit more quickly from ICRG review and has, until now, used mechanisms under ME follow-up procedures to manage those referrals. However, the ME rules have not proven sufficient to meet the APG's ongoing needs.
3. Recognising this need, and at the 2017 annual meeting, APG members agreed that the APG Governance Committee (GC) would, on behalf of members and following consultation with them, issue comprehensive procedures to give clarity to the management of ICRG referrals to for monitoring specific issues of concern following ICRG de-listing¹.
4. These procedures set out mechanisms to support efficient and accurate monitoring and sharing of up-to-date information on progress made by APG members referred by the FATF at the time of their ICRG de-listing.

B. STATUS OF THESE PROCEDURES

5. These procedures are issued pursuant to an APG membership decision at the 2017 annual meeting and are separate and distinct from other procedures, including ME follow-up and membership-related procedures.

C. GOVERNANCE

6. The APG membership is ultimately responsible for management-oversight of matters referred to the APG by the FATF at the point of ICRG removal and has agreed to rely on the GC to manage the operation of the mechanisms out-of-session.
7. Out-of-session, the GC will be responsible for:
 - a. considering details of referrals to the APG by the FATF at the point of ICRG de-listing, including the form and timing of monitoring and information sharing with the FATF;
 - b. confirming the content and conclusion of APG analysis reports before sharing those reports with the FATF; and

¹ In some cases, the FATF ICRG grants the removal of a country on the basis that the FSRB has agreed to monitor the issue of concern as a condition of removal, and in other cases as request for monitoring (but not explicitly as a condition).

- c. reporting to the APG membership at the annual meeting each year on the operation of the procedures, including out-of-session referrals, monitoring mechanisms adopted, and information reported to the FATF (including any cases where information was not shared).
8. Acceptance of FATF ICRG referrals for monitoring at the point of ICRG de-listing will not of itself constitute APG membership action. However, the membership may separately determine that particular issues warrant membership action, under relevant procedures, depending on the circumstances and in-session decisions of the membership.
9. The following principles underpin these procedures and are reflected in the mechanisms set out in Section B below.
 - a. The APG will accept referrals from the FATF's ICRG at the point of de-listing on issues of concern in order to support members exiting the ICRG process in a timely manner.
 - b. The APG expects that FATF referrals will clearly set out the ICRG issue(s) of concern and the expected frequency and timing of any reporting to the FATF by the APG. In the absence of specific requests from the FATF, the APG will determine the frequency of monitoring and any reporting to FATF.
 - c. The APG will decide on the specific application of these procedures to manage a member referred by the FATF's ICRG. This will include the expected frequency and timing of reporting to the APG by the affected member.
 - d. The timing and scope of APG monitoring and reporting of issues referred by the FATF will aim to meet the identified needs of the FATF as reflected in ICRG decisions.
 - e. The APG may decide that it believes the issue of concern has been addressed and discontinue monitoring subject to any further requests by the FATF. The APG will and report this to the FATF ICRG. It will ultimately be a matter for the FATF to decide whether it is satisfied that the item of concern has been addressed and whether additional reporting may be needed.
10. Where monitoring under these procedures overlaps with ME follow-up (transitional or third round), the analysis of issues of concern will be undertaken under these ICRG referral procedures to avoid duplication of monitoring under ME follow-up procedures. Where the affected member is also undergoing a mutual evaluation or five-year follow up exercise, the issues for monitoring should be considered for particular focus by the assessment team.

D. APG MECHANISMS FOR MONITORING BASED ON FATF REFERRAL

11. The APG, represented by the APG secretariat, is authorised to accept referrals from the FATF ICRG at the point of de-listing from the FATF ICRG.
12. The APG will work with the FATF to ensure that ICRG referrals clarify: (1) issues of concern; and (2) the timing of information-sharing with the FATF.
13. The membership (or GC when referrals are received out-of-session) will determine the most suitable monitoring-mechanism, taking into account the scope, complexity and strategic importance of the issue(s) referred. The mechanism may include:
 - Monitoring by a team made up of member or observer delegates, or a combination of both; or
 - Monitoring by the secretariat.

14. Monitoring will include (1) reviewing issue(s) of concern identified by the FATF with the APG members concerned; (2) information-exchange timetables between the secretariat and the APG member; and (3) desk-based reviews relating either to technical compliance, effectiveness or both. The FATF's 'ICRG Guidelines' may assist to clarify effectiveness issues. Examples of substantive issues in the analysis report include the following:
 - indicators of progress on technical compliance and effectiveness related to issues of concern;
 - significant changes leading to a decline in technical compliance or effectiveness against the those issues of concern; and
 - sufficient, or insufficient, progress made against the issues.
15. The monitoring analysis report will be provided to the assessed member for comment before it is finalised.
16. Analysis reports and related information will be submitted to the APG membership at annual meetings (or GC if sharing will occur out of session) for endorsement, before being shared with the FATF.
17. Analysis reports and information will be shared with the FATF in keeping with the requested form and timing of reporting.
18. There will be a presumption that reports will be shared with the FATF. However, in any particular case where the GC decides a report cannot be shared, the GC will clearly articulate the concern and the secretariat will advise the FATF why it cannot be shared on that basis.
19. The GC will report to the APG membership on all actions taken pursuant to these procedures.

E. EXIT FROM APG MONITORING PROCESS

20. The APG membership may make an in-session decision, in any particular case, that issue(s) of concern have been addressed by a member and therefore discontinue APG monitoring, subject to further requests by the FATF. It will ultimately be a matter for the FATF to decide whether it is satisfied that the issues have been addressed to their satisfaction and whether additional monitoring or reporting may be needed by the APG.
21. In the event that the FATF's ICRG indicates that it is satisfied that the issues of concerns have been addressed, the APG will discontinue monitoring under this mechanism.

F. DATE EFFECTIVE

22. These rules are effective immediately.

Issued by:

APG Governance Committee
(per: 2017 APG membership decision)

6 October 2017