

**FATF's Latest Round of Evaluations Proving Challenging for Some Nations, Says Group President**

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The Financial Action Task Force will work in the coming year to help nations struggling to adjust to its revised evaluation methodology, the intergovernmental group's new president said Wednesday.

In an outline of his objectives through June 2016, former chairman of Korea's Financial Services Commission Je-Yoon Shin said that some countries are "having difficulties adjusting to new elements" of the organization's latest round of mutual evaluations, including its effectiveness assessments and recommendations that member-states draft national risk assessments.

The organization, known as FATF, will task its Evaluations and Compliance Group to finalize a review of the first evaluations undertaken since it revised its standards in 2012, Shin said. The review would inform efforts to improve consistency and readability of evaluations by FATF and its affiliated regional organizations.

FATF will also solicit and share input from countries that have already completed national risk assessments "in order to alleviate concerns around" the reports, according to the objectives.

Shin, whose presidency of FATF began Wednesday, replaces Roger Wilkins, Australia's Secretary of the Attorney-General's Department. In objectives published last year, Wilkins also emphasized the need to improve the quality and consistency of mutual evaluation reports.

The group has consistently struggled with the issue of consistency and evenhandedness in its mutual evaluation process, according to an assessor for the organization who spoke on condition of anonymity.

"First and foremost, politics play a big role, especially among the regional bodies. There's a belief that countries that are in the same region tend to overlook shortcomings that their neighbors have, especially if they also have the same failings," said the person. "This can be especially true when [FATF's affiliate in the Middle East and North Africa, MENAFATF] performs an evaluation instead of the IMF."

The inauguration of Shin's presidency follows 2013 amendments to FATF's grading process, including the addition of a 4-tier "effectiveness" score to be assigned to 11 categories, or "immediate outcomes." The scores gauge how willing jurisdictions are to enforce laws against money laundering and terrorist financing and cooperate with international investigations, among other issues.

The methodology of FATF's fourth round of mutual evaluations is "so complex that it's difficult for countries and assessors alike to adequately address it," said Ross Delston, a Washington, D.C.-based attorney and a former assessor for the International Monetary Fund (IMF).

"Currently, there are individual recommendations and then 11 clusters representing 40 recommendations. The fact that they're grouped together in a new way makes life more difficult for assessors," said Delston.

The national risk assessments could prove to be an issue for the evaluations as well.

"My experience with self-assessments, when the IMF started assessing offshore jurisdictions 15 years ago, is it's a disaster because countries simply couldn't take the hard decisions to openly recognize risk," Delston said.

U.S. officials in national risk assessments published last month said that approximately \$300 billion in illicit proceeds is generated annually but that the country's vulnerabilities to money laundering and terrorist financing remain similar to those identified a decade ago. A report on money-laundering risks deemed regulatory oversight of banks sufficient.

In addition to addressing challenges related to mutual evaluations, FATF will establish a global training and research institute for its regional affiliates and ask member-states to reassess the group's work priorities, Shin said Wednesday. FATF and the FATF-style regional bodies are currently conducting a fact-finding survey on terror financing.