THE WORLD BANK

Asia/Pacific Group on Money Laundering

Strategic Implementation Planning (SIP) Framework

An implementation tool to prioritise your Mutual Evaluation Report/Detailed Assessment Report recommendations

Developed by the APG Implementation Issues Working Group (IIWG) and the World Bank

Contents

OVERVIEW OF THE STRATEGIC IMPLEMENTATION PLANNING (SIP) FRAMEWORK

(A) PURPOSE

The Strategic Implementation Planning (SIP) Framework aims to provide post-mutual evaluation implementation assistance.

The SIP aims to use the Mutual Evaluation Report (MER)[1] findings to develop a National Implementation Plan, concentrating on key areas that were found to be less than fully compliant. This involves prioritizing and sequencing the implementation of MER recommendations, on the basis of identified risks/vulnerabilities and 'building block' FATF Recommendations, and factoring in resourcing and capacity issues

It is intended to be a tool for jurisdictions to use on a voluntary basis.

The tool is ideally used immediately after the adoption of an MER but can be used at any time. In the case of the risk assessment, it should be used ideally prior to mutual evaluation if possible.

The SIP Framework is applicable to all assessed jurisdictions, but in particular, countries that need assistance in prioritising and sequencing MER recommendations.

It is important to note that the templates provided in the SIP Framework are dynamic documents and they will be updated, modified, or changed to reflect evolving thinking and feedback provided on these issues.

(B) OBJECTIVES

The SIP Framework is expected to:

- Guide jurisdictions to identify money laundering and financing of terrorism (ML/FT) risk areas and vulnerabilities in their current AML/CFT system;
- Guide jurisdictions to allocate resources efficiently and effectively based on the high priorities/risk areas when implementing the required AML/CFT measures;
- Enhance jurisdictions' understanding of the Financial Action Task Force (FATF) 40+9 Recommendations, and their implementation requirements in respect of both compliance and effectiveness;
- Enable jurisdictions to prioritise MER recommendations based on a clear set of criteria;
- Enable jurisdictions to identify and assign responsible primary and secondary implementing agencies;

[1] For IMF and World Bank led assessments these findings will be found in the Detailed Assessment Report (DAR), the equivalent of the MER

- Enable jurisdictions to identify and set completion dates for key outputs and recommendations;
- Enable jurisdictions to identify implementation issues that may be obstacles to the implementation plan;
- Facilitate jurisdictions formulation of detailed AML/CFT implementation plans which provides jurisdictions with clear and detailed next steps; and
- Enable jurisdictions to identify potential technical assistance (TA) and training (T) needs in implementing the required AML/CFT measures.

(C) SCOPE AND COMPONENTS

The SIP Framework is divided into the following three components using three templates:

Component 1: National Risk Assessment using Template 1 (i) Money Laundering and (ii) Terrorist Financing

- Jurisdictions need a basis for prioritising and allocating limited resources to ensure their actions are focused effectively and efficiently.

- For the purpose of prioritisation and more efficient allocation of resources, jurisdictions may consider conducting a risk and vulnerability analysis to identify the relevant areas to be focus on when implementing the required AML/CFT measures.

- A national risk assessment should assist jurisdictions to understand sources and methods of ML/FT threats; identify vulnerabilities and risks across various sectors; and evaluate weakness in the legal, judicial and institutional systems.

- Template 1 contains some of the information that jurisdictions may collect in order to assess the jurisdiction's ML/FT risks.

- Template 1 serves as a guide only and jurisdictions should consider obtaining other relevant information for a more comprehensive national risk assessment. In doing so, jurisdictions may refer to *Money Laundering/Terrorist Financing Risk Assessment Strategies,* published by the FATF in June 2008.

- Ideally risk assessment should be undertaken prior to mutual evaluation. However, if the jurisdiction has not undertaken the risk assessment prior to mutual evaluation, then it is recommended that the jurisdiction undertakes the risk assessment after the mutual evaluation in order to assist effective and efficient implementation of the required AML/CFT measures and facilitate efficient resource allocation.

Component 2: Prioritisation and Identification of Implementation Requirements using Template 2

This template provides criteria for prioritising MER recommendations and for identifying other important implementation requirements. These are highlighted in the 11 columns forming template 2. While the template 2 provides the framework for prioritisation, jurisdictions will need to consider how best to phase and sequence implementation of the priority recommendations, which is covered in Template 3.

Template 2 allows for all the columns to be sorted based on the different requirements as defined in each of the columns. For example, a data 'sort' can be conducted on the basis of Column 4 – primary implementing agency or Column 8 – completion milestone. This will enable agencies to see which agency is carrying the implementation burden or when completion of recommendations is due respectively.

An explanation of the 10 columns is provided below:

Columns 1, 2 and 3: Prioritisation Criteria

This involves populating Column 3 with MER recommendations based on the prioritisation categories and criteria in Column 1.

Column 2 is a cross-reference to the relevant FATF 40+9 recommendation.

An explanation of the five prioritisation categories and criteria is provided below:

i. *Part A - Coordination/Resources*
Objective
This component sets out the overarching requirements of any AML/CFT framework and reflects the fundamental role of coordination and resourcing in building an effective AML/CFT framework. These relate to FATF Recommendations 31 and 30 respectively.

The objective of this component is to ensure that domestic cooperation and coordination mechanisms are established, and to enable jurisdictions to plan and allocate the resources that are required to develop and implement policies and measures to effectively combat ML/TF.

ii. *Part B – Building Blocks*
Objective
Building blocks are essentially the 16 FATF core and key recommendations, respectively R.1, 5, 10, 13, SR.II and SR.IV, and R.3, 4, 23, 26, 35, 36, 40, SR.I, SR.III and SR.V. These 16 FATF Recommendations provide the building blocks of an effective AML/CFT regime and the foundation for effective implementation of other FATF Recommendations.

The objective of this component is therefore to ensure that ‘core’ and ‘key’ FATF Recommendations, and other important FATF Recommendation (R27), are identified and accorded priority in Template 2.

(b) Recommendations rated Partially Compliant or Non Compliant

Jurisdictions may want to assign a higher priority to core or key FATF Recommendations rated either Partially Compliant (PC) or Non Compliant (NC) in the MER. This does not mean jurisdictions can ignore core or key FATF Recommendations rated Largely Compliant (LC), only that an even higher priority should be assigned to PC/NC rated core and key FATF Recommendations.

iii. *<u>Part C – Significant risks/issues identified in the ME (outside building block)</u>*
Objective
The objective of this component is to ensure all significant risks highlighted in the mutual evaluation report are identified and incorporated in Template 2 and, later, into Template 3 (‘Implementation Plan’), if not already covered in Parts A and B. These risks are generally listed in Template 1 (‘National Risk Assessment’).

Examples of the above include FATF Recommendations 12, 16 and 24 for DNFBPs if casinos or trust and company service providers are prevalent and identified as high risk.

iv. *<u>Part D – Other significant issues identified by jurisdiction & risk analysis</u>*
Objective
The objective of this component is to ensure all significant risks and priorities that are specific to the jurisdiction, but not already covered in previous sections (Parts A, B and C) are considered in Templates 2 and later in Template 3.

These risks are generally identified in Template 1 on the National Risk Assessment, but may also be derived from other sources such as the jurisdiction’s domestic priorities.

Jurisdictions may want to prioritise those FATF Recommendations rated either PC or NC, in addition to those prioritised in the preceding Parts A to C.

v. *<u>Part E – ‘Quick Wins’</u>*
Objective
The objective of this component is therefore to ensure all the recommended actions which are not part of the ‘building blocks’, but that are relatively easy to implement, are also considered in Template 2.

It is important to identify potential ‘quick wins’ in the implementation plan. Even though Template 2 is primarily focused on recommended actions related to ‘building blocks’ Recommendations and those which are high risk concerns, jurisdictions should nevertheless endeavour to implement all other recommended actions in the ME. This can be achieved by implementing ‘quick wins’ – that is, recommended actions which can be implemented immediately with minimal or no major implementation constraints, or MER recommendations that could be implemented together with other recommended actions related to ‘building blocks’ Recommendations.

Output of the five prioritisation criteria

The end result of completing Parts A to E is a shortlist of MER Recommendations selected from the long list contained in the MER. This shortlist will be the focus of implementation action in the short to medium term. Jurisdictions will still need to implement the other remaining MER Recommendations.

Column 4: Current Status (Improvements made after the MER)

This column allows for improvements or progress made since the mutual evaluation to be reflected in the prioritisation and planning process.

Columns 5 and 6: Primary and Secondary Agency

Once MER recommendations have been prioritised, agencies must be assigned implementation responsibilities.

Primary Agency
Identify and assign a primary or lead agency responsible for driving the initiative and implementing the MER recommendation. Assigning a primary/lead agency will ensure ownership, identification of resourcing requirements and follow-up of the measures undertaken.

Secondary Agency
Identify and assign a secondary agency (s) that will work in collaboration with the primary agency in implementing the Recommendation. A secondary agency may include an agency that is able to contribute and assist in expediting the actions to be undertaken by primary agency or whose contribution or input is necessary to ensure the completeness or effectiveness of the implementation of that recommendation. The action to be undertaken by the secondary agency may be dependent on the progress of the action of the primary agency.

Column 7: Related FATF Recommendations

This involves identifying related FATF Recommendations. These MER recommendations may be populated below the related core/key FATF Recommendations. The inclusion of these FATF recommendations reflect the fact that some FATF Recommendations may necessitate concurrent implementation of other related FATF Recommendations, or that it may simply be more effective and efficient to concurrently implement other related Recommendations in conjunction with the original core/key FATF Recommendations. The related Recommendation(s) should be captured and highlighted in this template (Template 2) to ensure equal priority and consideration are given to these related Recommendations.

Column 8: Key Action/Output Required

This involves identifying key actions or outputs required to implement the MER recommendations. This Column links very closely with Template 3 as the detailed activities, outputs or actions required to achieve the higher level key actions or outputs need to be articulated in Template 3.

Prioritisation may be assigned to the required outputs to facilitate sequencing of implementation. Priority should be based on importance of the required outputs in the national AML/CFT regime and not whether the recommended actions could be implemented immediately unless it is a “quick win”.

Column 9: Implementation Issues

Jurisdictions should identify possible constraints that may be faced in implementing certain MER Recommendations. While the underlying causes can be varied, the tangible constraints are normally expressed through lack of commitment, lack of staffing resources, insufficient operational budget, lack of expertise, and lack of designated or assigned competent authority or work unit.

Jurisdictions should not only identify the constraints but also identify possible solutions. These solutions could be included as outputs in Column 7 or in Template 3.

Column 10: Completion Timeframe

This column should identify the end completion date for the MER Recommendation or key output.

This information will link to Template 3 (‘Implementation Plan’). Jurisdictions should consider external factors and broader strategic objectives when determining timeframes.

Column 11: Progress Status

Jurisdictions are to use this column to monitor the implementation status of the MER recommendations and can subsequently link the implementation status to the jurisdictions annual progress reports to the APG.

Component 3: Detailed implementation action plan using SIP Template 3

Upon completion of Template 2, jurisdictions may use Template 3 as a tool to formulate an AML/CFT implementation action plan to put in place the required AML/CFT measures in accordance with the FATF 40+9 Recommendations. Jurisdictions are able to develop detailed action plans to implement the prioritized outputs or outcomes and the template can be used as a monitoring and evaluation tool by jurisdictions to measure implementation progress.

Identification of a primary agency responsible for the implementation of the prioritized outputs and outcomes is crucial to carry out the detailed action plan. However, the full co-operation, collaboration and support from the relevant agencies identified in Template 2 are essential to develop and implement a detailed action plan that is practical and effective. Development of the detailed action plan will also enable jurisdictions to identify any constraints or obstacles to effective implementation and could be used as a basis to identify TA&T needs and to subsequently request for TA &T.

(D) FOLLOW UP ACTIONS

The implementation of the plan itself is solely the responsibility of the individual jurisdiction, although the jurisdictions may request for TA&T to assist its implementation. The follow up on the progress of the jurisdictions in implementing the recommended actions can be done through the annual update on progress by jurisdictions at the APG Plenary.

(E) REFERENCE MATERIALS

Materials to be used and/or for reference include the following:

- FATF 40 Recommendations on Money Laundering and 9 Special Recommendations on Terrorist Financing, June 2003 and October 2004 respectively
- FATF Methodology for Assessing Compliance with the FATF 40 Recommendations and the FATF 9 Special Recommendations, February 2009-
- Guidance on Capacity Building for Mutual Evaluations and Implementation of the FATF Standards within Low Capacity Countries , March 2008
- FATF Money Laundering and Terrorist Financing Risk Assessment Strategies, June 2008

(F) SIP METHODOLOGY INSTRUCTION NOTE

Detailed Instructions for the use of all three templates are contained in the SIP Methodology Instruction Note at **Attachment A**.

Annexes:

1, Template 1: National Risk Assessment (i) Money Laundering (ii) Terrorist Financing

2. Template 2: Prioritisation and Identification of Implementation Requirements

3. Template 3: Implementation Action Plans

ATTACHMENT A:

SIP Methodology Instruction Note for the three SIP Templates

June 2011

Table of Contents

Template 1: (i) Money Laundering National Risk Assessment

Part I: Preparing for the Money Laundering National Risk Assessment

Introduction

1. Template 1: National Risk Assessment of the Strategic Implementation Planning (SIP) Framework was developed with a view to assist jurisdictions undertake money laundering national risk assessment. National risk assessment should assist jurisdictions to understand sources and methods of money laundering; identify vulnerabilities and risks across various sectors; and evaluate weakness in the legal, judicial and institutional systems. National risk assessment can be used to prioritize actions, allocate resources accordingly, and to develop and design countermeasures that are proportionate to risks. It can also be used to give effect to the flexibility provided in the FATF standards for a jurisdiction to exempt a financial institution from the application of AML/CFT measures or to allow its financial institutions to apply simplified or reduced CDD measures, under very limited circumstances e.g. demonstrated low risk.

2. Template 1 contains some of the information that jurisdictions may collect in order to assess the jurisdiction's money laundering risks. Thus, the Template 1 serves as a guide only and jurisdictions should consider obtaining other relevant information for a more comprehensive national risk assessment. In doing so, jurisdictions may refer to *Money Laundering/Terrorist Financing Risk Assessment Strategies,* published by the FATF in June 2008.

3. Ideally the risk assessment should be undertaken prior to mutual evaluation/detailed assessment report. However, if the jurisdiction has not undertaken the risk assessment prior to the mutual evaluation/ detailed assessment report, then it is recommended the jurisdiction undertakes the risk assessment after the mutual evaluation in order to assist effective and efficient implementation of the required AML/CFT measures and facilitate efficient resource allocation.

4. Due to the complex nature of addressing money laundering and terrorist financing risks together, this template focuses only on the money laundering risk. A separate risk assessment template is used for terrorist financing risk i.e. Template 1: (ii) Terrorist Financing National Risk Assessment.

5. Template 1 consists of the following sections (worksheets):
    - Prevailing Crime Type
    - Legal/Judicial/Institutional Framework
    - Economic and Geographical Environment
    - Reporting Institutions (Financial Institutions)
    - Reporting Institutions (DNFBPs)

National Coordination

6. The national risk assessment is a complex and challenging process since money laundering risk arises from numerous factors such as the loophole in legislations and regulations, capacity of law enforcement and financial supervisors, products and services offered by financial institutions and DNFBPs. There can be also risks arising from unaccounted factors.

7. Often, each government agency has specific information which will constitute part of an overall picture of money laundering risk faced by the jurisdiction. Accordingly, undertaking a comprehensive and holistic national risk assessment on money laundering necessitates cooperation and collaboration of different governmental authorities.

8. In order to achieve this, a lead agency should be appointed to lead and coordinate the effort. Bringing together different authorities around the table, facilitating the exchange of views, sharing the experience and information and enhancing the collaboration are critical roles which the lead agency should play. The lead agency can be different from country to country, depending on its legal and institutional framework. For example, the leading authority can be Ministry of Finance, Central Bank, Financial Intelligence Unit, or a law enforcement agency. Or it can be the national coordination committee which then appoints a national task force. It is important that all the relevant government agencies are invited to participate in the risk assessment.

9. After the national risk assessment is completed, it would be useful to present it not only to relevant government agencies working on AML/CFT, but also to some representatives of parliament (as the law maker), budgetary authorities (to discuss the budget allocation availabilities), and statistic agencies (for data collection). Also, jurisdictions should consider making the (de-classified version of) assessment report available to guide the private sector and public in general.

10. The lead coordinating agency should maintain key documents, including statistics leading to conclusions contained in the National Risk Assessment. The benefits of keeping relevant records and statistics include demonstrating to external reviewers (e.g. mutual evaluation teams), the soundness of the methodology and the conclusions drawn.

Participation of the Private Sector

11. While the template 1 does not directly solicit participation of the private sector in the national risk assessment, their collaboration in providing information to the authorities will be critical in assessing the real risk and vulnerability, and not just perception of these.

12. If jurisdictions consider it useful, they could invite private sector to participate in the national risk assessment.

Data Collection

13. Use and analysis of data will be valuable in the money laundering national risk assessment in order to make the assessment as objective as possible. In this regard, the first step is collection of available data. It would be useful if an agency is assigned as data collection center. This role may be taken by the lead agency, or it could be by the FIU, or other agencies. The template 1 indicates the type of data that should be collected; however, jurisdictions do not need to limit the type of data collected to those identified in the template 1.

14. National risk assessment is a dynamic process since the level of risk faced by a jurisdiction may change over time. It is important to collect data periodically. This data should be used to gauge the change in the risk level over time.

15. However, many jurisdictions face a challenge of collecting reliable data which can be used for the national risk assessment. The lack of data often means authorities have limited knowledge of that area. The first step is to take stock of what data exists and whether available both from the public and the private sector for the purpose of the national risk assessment. If there is a data gap, authorities could consider establishing new data collection and reporting requirements. If the data gap continues to exist, authorities could consider the following methods to fill in the gap:

- Use qualitative analysis;
- Use estimation; and
- Send questionnaire to industries.

16. Careful consideration should be given to the benefits and costs before issuing a questionnaire to industry.

Determining the Risk Level

17. The risk assessment process should be unbiased and based on reliable information and data to be as objective as possible. However, it is still difficult to collect all the necessary data. Thus jurisdictions may find that they will need to assess qualitative data. At the same time, even when the data is available, the interpretation of the data may involve some judgment. The country should record the grounds for each assessment and must be able to justify the final decision on the risk.

Customizing the Template 1

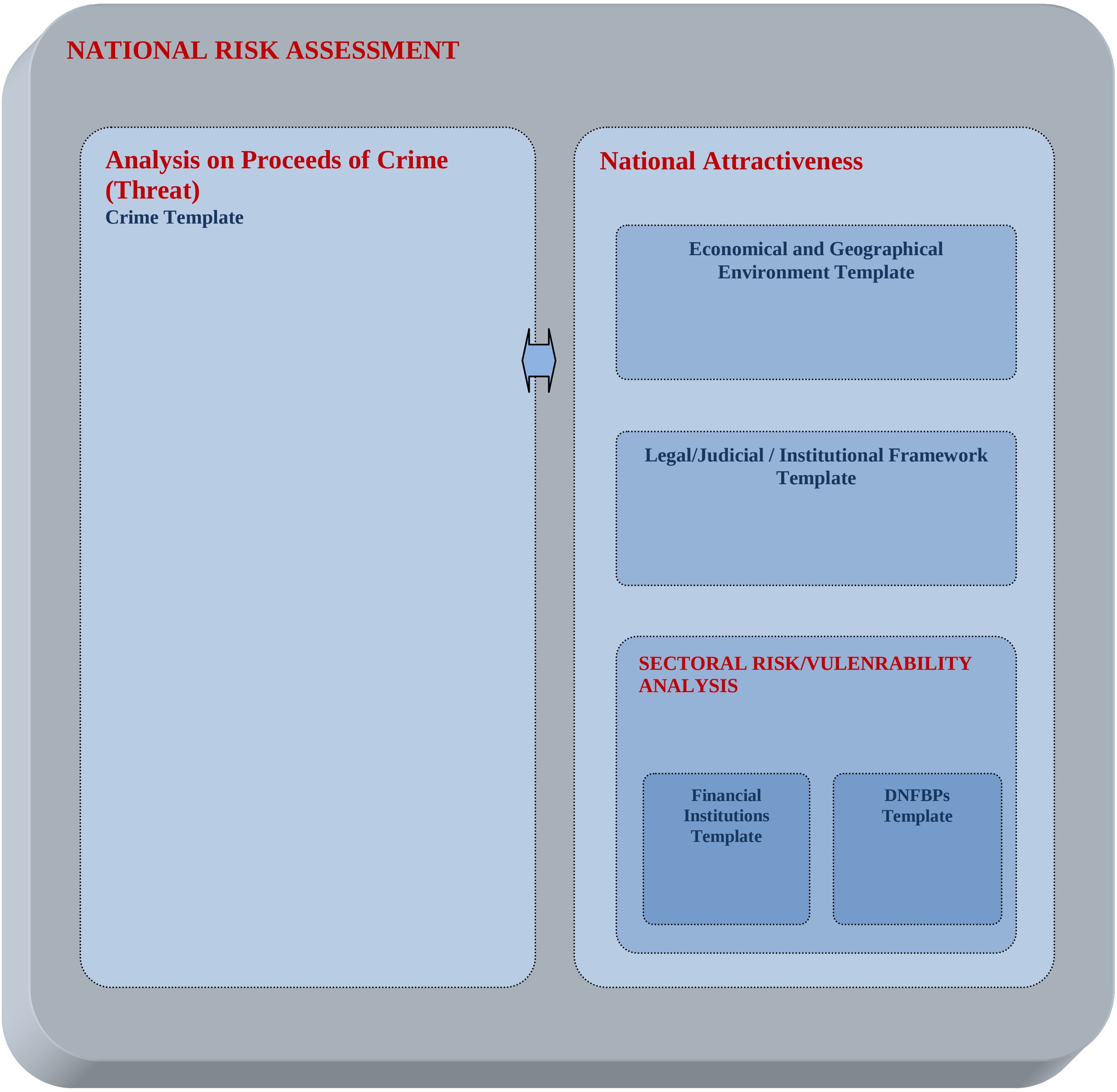
18. The Template 1 identifies indicators to assess the money laundering risk. Template 1 can, however, be customized to meet your jurisdiction's need. For example, your jurisdiction should feel free to add new indicators or amend the existing ones. The Template 1 is a general framework from which customization can be made. Although the sections on reporting institutions (both financial institutions and DNFBPs) include formula to derive vulnerability and risk level, it is possible to make customization.

Part II: How to use the Template 1: National Risk Assessment Tool

19. As stated earlier, template 1 consists of the following sections (worksheets):

- Prevailing Crime Type
- Legal/Judicial/Institutional Framework
- Economic and Geographical Environment
- Reporting Institutions (Financial Institutions)
- Reporting Institutions (DNFBPs)

20. Detail on each section is explained hereunder and an overview flowchart is provided below.


NATIONAL RISK ASSESSMENT
Analysis on Proceeds of Crime (Threat)
Crime Template
National Attractiveness
Economical and Geographical Environment Template
Legal/Judicial / Institutional Framework Template
SECTORAL RISK/VULENRABILITY ANALYSIS
Financial Institutions Template
DNFBPs Template

Prevailing Crime Type

Objectives:

21. The objective of this section is to understand what type of predicate crime poses a ML threat in your jurisdiction and identify origins (both domestic and foreign) and methods of ML in your jurisdiction. Outcome of this threat analysis will be useful for law enforcement agencies (LEAs) to prioritize their actions. It is also useful for FIU and covered institutions to understand the type of crimes that generate proceeds and methods of laundering.

Explanation regarding the column and row headings in worksheets

Areas (Column A)

22. Twenty designated list of predicate offenses are listed in the first column. However, your jurisdiction should amend the list by adding other predicate offenses to money laundering, if any. The definitions of particular predicate offences, such as "Organized Crime" or "Terrorism" may differ from country to country. The template does not impose any definition regarding the predicate offence types. In the risk assessment of a particular country, the predicate offences are assumed to refer the own definition of that country.

23. Under the "other" section in the first column, it is important to analyze attractiveness of your jurisdiction to money laundering. Are the proceeds of crime laundered domestically in your country, or are they taken outside the jurisdiction and laundered abroad? In addition, does your jurisdiction attract foreign proceeds of crime? In other words, do criminals use your financial system (and DNFBPs) to launder proceeds of crime that are committed abroad?

Information

24. The first section under the information section is taken from your jurisdiction's Mutual Evaluation Report (MER) or Detailed Assessment Report (DAR). Extract information from the MER/DAR relating to source of proceeds of crime and threat of ML. Then provide information on five indicators: number of ML cases investigated which involved particular predicate offense; number of cases prosecuted which involved particular predicate offense; amount of proceeds identified in investigations by law enforcement agencies (LEAs) and in FIU; amount of proceeds confiscated; and number of STRs referred to LEAs on the type of predicate offense/s. If your jurisdiction is undertaking the national risk assessment prior to an AML/CFT assessment or there is no MER/DAR available, please skip this column.

25. The statistics can be provided only if the information is available. Some jurisdictions may find it difficult to present the statistics. If the statistics is not currently collected, your jurisdiction may consider starting to collect them. If the statistics is not available, please use the best expert judgment to indicate the level of the number of cases or the amount by using "High" "Medium" and "Low".

26. Finally any other information regarding crimes and money laundering can be provided in the "other information" section. For example, such information may come from FIU intelligence, crime studies published by researchers or LEAs, among other sources.

ML/TF Threat

27. Based on the information you gathered, please rate the level of threat each type of predicate offenses poses in terms of ML threat. The judgment of “high” “medium” and “low” must be exercised based on the knowledge and expertise you have in your jurisdiction.

Recommendations that may be impacted

28. Relevant FATF 40+9 Recommendations that may be impacted as a result of the assessment of risk arising from a particular indicator is listed.

Note: Each cell can be expanded as you type the information.

Economic and Geographical Environment

Objectives:

29. The objective of this section is to analyze weakness in the system or characteristics of economic and geographical environment in the jurisdiction, which makes the jurisdiction attractive to money laundering.

Explanation regarding the column and row headings in worksheets

Attractiveness Indicators

30. This section lists attractiveness indicators in the column A. These are indicators which renders the jurisdiction attractive to the proceeds of crimes and money laundering activities. Attractiveness indicators are categorized in four categories: economical environment, geographical environment political environment, and institutional environment.

31. Under the economic environment, the following indicators are provided.

High percentage of the informal sector: Whether the share of the informal economic activity in the country is high. Is it common for some sectors and some businesses to operate without any registration or license? Are all the economic activities of all businesses appropriately reported to relevant government agencies? The informal practices of formal businesses, which arise from tax motives, are also a part of informal economic activity. Widespread informal economic activity makes it challenging for law enforcement and other authorities to distinguish proceeds of crime from the proceeds of informal activity.

Highly cash-based economy: The widespread use of cash in a country may have an anesthetic impact on the reporting institutions. In a cash intensive environment, high amount cash transactions can be considered normal and usual rather than unusual.

Highly “dollarized” economy: By “dollarized” economy, it is intended to gauge the level of the common use and acceptance of foreign currencies in the jurisdiction. In highly dollarized economies, it can be much easier to inject the funds to be laundered, to the financial system.

High degree of the integration with international financial markets: Whether there the volume of financial flows between the country and the financial markets around the world is high. “Integration” includes but not limited to integration with regional financial markets.

Easy access to and high diversity of financial center: Whether the country has liberal currency and other regulatory regime, and high level of institutionalization, correspondence relationships and technical capacity that facilitates easy and fast access to financial centers.

High volume of non-bank international remittances: Particularly in the countries where there is a dense inflow or outflow of the migrant remittances through non-bank channels the criminal funds may attempt to exploit these channels for money laundering purposes.

Existence of off-share financial services: Whether the country has any off-shore centers that provide tax and other type exemptions to foreign investors and funds.

High incidents of trade-based ML: The number of the cases where international trade activities were used for ML purposes. International trade activities may be attractive for the money launderers, due to the usual involvement of high amount of funds and the legal appearance they can provide.

Large volume of physical movement of currency: Is it a common practice in the country to carry high amount of cash while crossing the borders? The higher these indicators are, the more attractive the jurisdiction is to money laundering.

32. Under the geographical environment, two indicators which tend to raise the level of money laundering risk are listed: the existence of porous borders and lack of border control by neighbors. Under the political environment, high level of corruption which may allow criminals to manipulate domestic system is provided as an indicator which tends to raise the level of money laundering risk. Under the institutional environment, the following two indicators are provided as an indicator which weakens the fight against money laundering, making money launderers to easily prevail: lack of AML resources including budget and staffing and lack of good domestic and international coordination and cooperation.

33. These indicators are provided in the template, however, jurisdictions are encouraged to add other indicators if useful.

<u>Information</u>

34. The first column under the information section is Mutual Evaluation Report (MER) or Detailed Assessment Report (DAR). Please extract information from MER/DAR relating to those indicators specified above or additional indicators added by your jurisdiction. If your jurisdiction is undertaking the national risk assessment prior to an AML/CFT assessment or there is no MER/DAR available, please skip this column.

35. If there is additional information which was not mentioned in MER/DAR, please write them down in the "other information" column.

36. If you have statistics on the indicators, please do provide data in the relevant box. .

<u>ML Risk</u>

37. Based on the information you gathered, for each indicator, assess what is the ML-TF risk arising from that factor. The judgment of "high" "medium" and "low" must be exercised based on the knowledge and expertise you have in your country.

<u>Recommendations that may be impacted</u>

38. Relevant FATF 40+9 Recommendations that may be impacted as a result of the assessment of risk arising from a particular indicator is listed.

Note: Each cell can be expanded as you type the information.

Legal/Judicial/Institutional Framework

Objectives:

39. The objective of this section is to analyze weakness in AML legal, judicial and institutional framework, and assess how weakness in these systems raises ML risk.

Explanation regarding the column and row headings in worksheets

Areas

40. Under the areas, there are six categories: legislation, court system, law enforcement agencies, FIU, customs and other border controls and international cooperation. Under each of these categories, specific indicators are provided. Your jurisdiction is encouraged to add more indicators. Your jurisdiction can also amend the existing indicators if relevant. Since the indicators under each category are self-explanatory, it is not explained in detail here.

Information

41. The first column under the information section is Mutual Evaluation Report (MER) or Detailed Assessment Report (DAR). Please extract information from MER/DAR relating to those indicators specified above or additional indicators added by your jurisdiction. If your jurisdiction is undertaking the national risk assessment prior to an AML/CFT assessment or there is no MER/DAR available, please skip this column.

42. The next two columns are "numbers" and "adequacy of resources". Please provide the statistics (numbers, percentage, etc) under the "numbers" column. Under the "adequacy of resources", please write down whether there is adequate resources to fill in the gap or achieve the goal specified in the indicator. Please note that resources include not just budget but also human capital (adequate number of staff, competent staff, etc). Please note that "Adequacy of the resources" column does not refer to information column regarding MER but to relevant area in the first column. If there is additional information which was not mentioned in MER/DAR, please write them down in the "other information" column.

43. Some boxes are colored with "grey" to indicate that the specific information does not apply to the indicator. Accordingly, there is no need to fill in the information for those boxes colored with grey.

ML Risk

44. Based on the information you gathered, please rate the level of risk relating to ML. How does weakness in the system based on each indicator raise ML risk? The judgment of "high" "medium" and "low" must be exercised based on the knowledge and expertise you have in your jurisdiction.

Recommendations that may be impacted

45. Relevant FATF 40+9 Recommendations that may be impacted as a result of the assessment of risk arising from a particular indicator is listed.

Note: Each cell can be expanded as you type the information.

Reporting Institutions (Financial Institutions)

Objectives:

46. The objective of this section is to analyze vulnerability of different types of financial institutions arising from, among others, the products and services they offer and type of clients they serve. Control measures are assessed separately in order to understand the level of (inherent) vulnerability that exists in the sector. In addition, if your jurisdiction is yet to regulate specific type of financial institutions with regards to AML/CFT obligations, assessment can focus on the first part, vulnerability assessment. If the specific type of financial institutions is already regulated for AML/CFT measures, then the overall risk assessment is based on both the operating environment (such as products, services and clients offered in the industry) and the control measures.

Explanation regarding the column and row headings in worksheets

Areas

47. Under the areas, there are two categories: regulated financial institutions and non-regulated financial institutions. Regulated financial institutions are further broken down by the type of financial institutions. The break down can be amended based on type of financial institutions that operate in your jurisdiction, and this is highly recommended in order to make the assessment useful. Thus please reclassify the types of financial institutions to reflect domestic financial sector composition. Also under the "non-regulated financial institutions", please write down non-regulated financial institutions that pose ML risk. For example, mobile phone financial services may not be regulated for AML measures although they provide the service in your jurisdiction. In addition, illegal or unregulated financial institutions may be also added as they pose ML risk.

Mutual Evaluation Report (reference to vulnerability and risk of ML)

48. Extract information from the MER/DAR relating to risks related to specific type of financial institutions. See whether there is a specific emphasize on any of the financial institutions due to the type of services they provide, low compliance levels due to lack of regulation/ monitoring/ supervision, or based on other information.

49. Note that MER/DAR may be out-of-date and the jurisdiction may have taken some actions to address the deficiencies stated in the MER/DAR. If this is the case, write down the actions taken to correct the deficiencies identified in the MER/DAR.

50. If your jurisdiction is undertaking the national risk assessment prior to an AML/CFT assessment or there is no MER/DAR available, please skip this column.

Structural Risk Indicators and Information Sources

51. In the next columns, fill in information relating to the size of the industry; volume turnover; existence of high cash-intensive products and services; frequency or % of international transactions; % of non-resident customers; % of customers who pose higher risk; indicators of potential ML activities/ conducts (for example, the number of cases involving the sector, and the number of STRs reported on the

industry. Further detail is provided below on each of these indicators. In addition, any other useful information can be provided in the "other information" section.

52. The information box is divided into two sub-parts. The box on the right side is to provide information on each indicator for the respective industry. Then the box on the left side is to indicate whether the specific indicator for the specific industry poses a high, medium or low level of vulnerability based on the information on the right sub-box. Some of the indicators may be difficult to obtain statistical information. If that is the case, please write down the best assessment of the situation. For example, if the frequency of international transactions for domestic banks is high, write down "H" in the first (left side of) sub-box. The left sub-box can just be filled with one of three entries ("H" for high, "M" for medium, or "L" for low). If the information is not available or not adequate to make the decision, the mentioned box should be left empty.

53. Please not that, you are assessing the level of the indicator itself, not the level of the risk arising from that indicator. The entries being made here are the inputs; the worksheet indicates a risk level after combining these inputs.

Size of the sector/industry

54. Usually the common indicator for the size of sector or industry is the asset size. The number of the institutions is also a good indicator to use because even if an asset size is relatively small, a high number of institutions could indicate the work necessary for regulators and supervisors to ensure that all those entities comply with AML requirements.

Volume Turnover

55. Volume turnover indicates how much transactions are taking place. The higher the volume turnover, it is more difficult to monitor every single transaction. For some industries, volume turnover is a more important indicator than the asset size. For example, sectors such as money transfer services or exchange bureaus, the turnover or volume of the transactions may be very high although assets size may be small.

High cash intensive products/ services

56. Cash intensive products and services are vulnerable to ML. Industries which offer cash intensive products may be vulnerable particularly to placement of the dirty money. Assess whether the industry offers high cash intensive products and services.

Frequency or % of international transactions

57. Money launderers use cross border transactions to exploit the technical and legal difficulties in tracking dirty money in other jurisdictions. In assessing this indicator, it is also useful to consider not just the actual frequency of the internal transactions, but also the number of correspondent accounts of the financial institutions. This includes the correspondent accounts of foreign financial institutions held in domestic institutions and the vice versa.

58. Further, the nature of the transactions and the jurisdictional breakdown for inward and outward transactions may provide useful information to assess ML risk. However, it may be more difficult to obtain such data and it requires cooperation from the financial institutions.

Percentage (%) of customer who pose higher risk (e.g. PEPs, non-resident customers, private banking customers, trusts, bearer share holders, etc)

59. Financial institutions may keep information on the percentage of customers who are considered a higher risk. A higher risk customer could be someone who is politically exposed person, non-resident customer, private banking customer, legal persons or arrangements such as trusts that are personal assets holding vehicles, and bearer share holders. If it is challenging to collect this information, try to estimate the proportion of the customers who are considered a higher risk and thus, subject to enhanced CDD. To estimate this percentage (whether high or medium or low), you may first identify the products or services which requires enhanced due diligence. Then assess the share of these products and services offered in the financial sector. In terms of estimating the proportion of the non-resident customers, it is useful to consider whether there is a significant presence of non-residents living in your jurisdiction. In addition, consider whether there are ways through which non-residents can use financial services offered in your jurisdiction such as through off-shore accounts or payable through accounts. It is also useful to consider the level of foreign investors in your jurisdiction.

Indictors of potential ML activities/conduct

60. This indicator assesses what indications the industry received as potentially being abused by money launderers or facilitating money laundering. Examples of this indicator could be the number of cases involving the sector and the number of STRs reported on the industry. In addition to the number of the cases, it is useful to also assess the volume of assets involved in the cases. The public information sources and studies regarding the potential money laundering involving the sector should also be considered.

61. If useful information is not currently available, jurisdictions should consider collecting the information on the detected and prosecuted money laundering cases and analyze this information to extract main characteristics of the money laundering cases in the jurisdiction. Such an analysis will also indicate the sectors that are most commonly used for money laundering.

Other Information

62. Specify in this column if there are other useful information or anything unusual to change the risk rating.

<u>(Inherent) Vulnerability to ML/TF</u>

63. Once you rate the vulnerability of each indicator, the template will indicate the overall level of vulnerability for each type of financial institutions based on the inputs provided. This column contains formulas, thus if you amend this section, it may impact the formula.

<u>Control Measures</u>

64. Now assess the control measures that are in place. Given indicators are: whether AML/CFT Regulations/ Guidelines/Enforcement mechanism in place; adequacy of AML/CFT on-site inspections and off-site monitoring and whether the industry meet sufficient supervisory compliance ratings; whether there are sufficient resources committed to AML/CFT supervision considering budget and number of staff; whether it includes relevant Recommendations; and Monitoring of transactions and adequacy of STR reporting. Assess the level of the each control component and enter the appropriate one of the three possible levels (“L” , “M” or “H”) to the green box on the left of each column. Please note the grounds for your assessment and the relevant information to the white box on the right side of the column. Please note that, in contrast with the columns in “Vulnerability” part, in the “Control” part, “High” level of a control component has positive impact on the final risk level. In other terms, “High” controls help to reduce the final risk level and vice versa.

65. Also review the regulations for each sector and see whether the regulations impose controls to ascertain the honesty, integrity and reputation of the people who intends to operate financial services, and they are checked before granted a license to operate. If entry controls are not required or not applied properly, the sector will be more vulnerable to the abuse of money launderers.

Overall Risk to ML

66. Once all the entries are made both in terms of (inherent) vulnerability and control measures, the template will indicate the overall level of risk to money laundering for each type of financial institutions based on the inputs provided. Accordingly, the overall assessment on money laundering risk for financial institutions is based on both the operating environment (such as products, services and clients offered in the industry) and the control measures. If the industry is highly vulnerable but control measures are strong, then the overall risk may be considered as medium.

67. The Final Risk Level is based on the following assumptions. The calculation is based on the arithmetic average process, while considering the weights of indicators.

Vulnerability	Controls	Risk
L	H	L
L	M	ML
L	L	M
M	H	ML
M	M	M
M	L	H
H	H	M
H	M	H
H	L	VH

Weights

68. Row 4 provides the decision on the weights used for indicators. If the weight is 1, this indicates higher importance and the model weights it twice more than other regular indicators. The weight is 2 for the indicators of normal importance.

Recommendations that may be impacted

69. Relevant FATF 40+9 Recommendations that may be impacted as a result of the assessment of risk arising from a particular indicator is listed.

Note: Each cell can be expanded as you type the information.

Reporting Institutions (DNFBPs)

Objectives:

70. The objective of this section is to analyze vulnerability of DNFBPs arising from, among others, the products and services they offer and type of clients they serve. Control measures are assessed separately in order to understand the level of (inherent) vulnerability that exists in the sector. In addition, if your jurisdiction is yet to regulate specific type of DNFBPs with regards to AML/CFT obligations, assessment can focus on the first part, vulnerability assessment. If the specific type of DNFBPs is already regulated for AML/CFT measures, then the overall risk assessment is based on both the operating environment (such as products, services and clients offered in the industry) and the control measures.

Explanation regarding the column and row headings in worksheets

Areas

71. Under the areas, there are two categories: DNFBPs defined by FATF and other businesses and professions. The first category of DNFBPs basically list those defined in the FATF Recommendations, namely, casinos (which also includes internet casinos), real estate agents, dealer in precious metals and precious stones, lawyers, notaries public, accountants, trust Service Providers, and company Service Providers.

72. Under the other businesses and professions, jurisdictions are encouraged to add others who pose money laundering risk. Examples may be gaming outlet, car dealers, and high-value goods, but not limited to them. Since this is a risk assessment, these other businesses and professions do not need to be currently subject to AML/CFT requirements.

Mutual Evaluation Report (reference to vulnerability and risk of ML)

73. Extract information from the MER/DAR relating to risks related to specific type of business and profession. See whether there is a specific emphasize on any of the business and profession due to the type of services they provide, low compliance levels due to lack of regulation/ monitoring/ supervision, or based on other information. Note that MER/DAR may be out-of-date and the jurisdiction may have taken some actions to address the deficiencies stated in the MER/DAR. If this is the case, write down the actions taken to correct the deficiencies identified in the MER/DAR.

74. If your jurisdiction is undertaking the national risk assessment prior to an AML/CFT assessment or there is no MER/DAR available, please skip this column.

Structural Risk Indicators and Information Sources

75. In the next columns, fill in information relating to the size of businesses and professions; volume turnover; existence of high cash-intensive products and services; frequency or % of international transactions; % of non-resident customers; % of customer who are higher risk indicators of potential ML activities/ conducts (for example, the number of cases involving the sector, the number of STRs reported on the industry); and existence and adequacy of professional ethics standards. Further detail is provided below on each of these indicators. In addition, any other useful information can be provided in the "other information" section.

76. The information box is divided into two sub-parts. The box on the right side is to provide information on each indicator for the respective business and profession. Then the box on the left side is to indicate whether the specific indicator for the specific business and profession poses a high, medium or low level of vulnerability based on the information on the right sub-box. Some of the indicators may be difficult to obtain statistical information. If that is the case, please write down the best assessment of the situation. For example, if the frequency of international transactions for trust service providers is high, write down "H" in the first (left side of) sub-box.

77. Please not that, you are assessing the level of the indicator itself, not the level of the risk arising from that indicator. The entries being made here are the inputs; the worksheet indicates a risk level after combining these inputs.

Size of the businesses and professions

78. Usually the common indicator for the size of businesses and professions is the number of business entities or individual professionals. Where relevant and data is available, asset sizes can be also considered. The jurisdiction should judge whether the number of entities gives an adequate picture to understand the size of the businesses and professions. If not, the jurisdiction can start collecting data. For example, tax or registration authorities may be good source of relevant data.

Volume Turnover

79. Volume turnover indicates how much transactions are taking place. The higher the volume turnover, it is more difficult to monitor every single transaction. For some industries, volume turnover is more important indicator than the size of businesses and professions. For example, a real estate agency operating in a small office may be involved in enormous amount of property sales. The tax authorities may have valuable data regarding the volume turnover of respective businesses and professions. If data is not available, try to provide an estimate of the volume of sectors and consider the collection of data for following national risk assessments.

High cash intensive products/ services

80. Cash intensive products and services are vulnerable to ML. Businesses and professions which offer cash intensive products may be vulnerable particularly to placement of the dirty money. Assess whether the businesses and professions offer high cash intensive products and services.

Frequency or % of international transactions

81. Money launderers use cross border transactions to exploit the technical and legal difficulties in tracking dirty money in other jurisdictions. In addition to frequency, the nature of the transactions and the jurisdictional breakdown for inward and outward transactions may provide useful information to assess ML risk. However, it may be more difficult to obtain such data for the DNFBP sector. If so, please provide an estimate or best judgment.

Percentage (%) of customer who pose higher risk (e.g. PEPs, non-resident customers, private banking customers, trusts, bearer share holders, etc)

82. Businesses and professions may keep information on the percentage of customers who are considered a higher risk. A higher risk customer could be someone who is politically exposed person, non-resident customer, private banking customer, legal persons or arrangements such as trusts that are personal assets holding vehicles, and bearer share holders. If it is challenging to collect this information, try to estimate the proportion of the customers who are considered a higher risk and thus, subject to enhanced CDD. To estimate this percentage (whether high or medium or low), you may first identify the products or services which requires enhanced due diligence. Then assess the share of these products and services offered by each business and profession. In terms of estimating the proportion of the non-resident customers, it is useful to consider whether there is a significant presence of non-residents living in your jurisdiction. In addition, consider whether there are ways through which non-residents can use services offered by DNFBPs in your jurisdiction.

Indicators of potential ML activities/conduct

83. This indicator assesses what indications the businesses and professions received as potentially being abused by money launderers or facilitating money laundering. Examples of this indicator could be the number of cases involving the businesses and professions and the number of STRs reported on the businesses and professions. In addition to the number of the cases, it is useful to also assess the volume of assets involved in the cases. The public information sources and studies regarding the potential money laundering involving the businesses and professions should also be considered.

84. If useful information is not currently available, jurisdictions should consider collecting the information on the detected and prosecuted money laundering cases and analyze this information to extract main characteristics of the money laundering cases in the jurisdiction. Such an analysis will also indicate the businesses and professions that are most commonly used for money laundering.

Other Information

85. You need to specify in this column if there are other useful information or anything unusual to change the risk rating.

<u>(Inherent) Vulnerability to ML</u>

86. Once you rate the vulnerability of each indicator, the template will indicate the overall level of vulnerability for each type of businesses and professions based on the inputs provided. This column contains formulas, thus if you amend this section, it may impact the formula.

<u>Control Measures</u>

87. Now you need to assess the control measures that are in place. The given indicators are: whether AML/CFT Regulations/ Guidelines/Enforcement mechanism in place; adequacy of AML/CFT on-site inspections and off-site monitoring and whether the businesses and professions meet sufficient compliance ratings; whether there are sufficient resources committed to AML/CFT supervision/compliance monitoring considering budget and number of staff; whether include relevant Recommendations; and Monitoring of transactions and adequacy of STR reporting.

88. You also need to assess professional ethics standards. The existence and adequacy of the professional ethics standards in the jurisdiction will help minimize the abuse of businesses and professions for money laundering purposes.

<u>Overall Risk to ML</u>

89. Once all the entries are made both in terms of (inherent) vulnerability and control measures, the template will indicate the overall level of risk to money laundering for each type of businesses and professions based on the inputs provided. Accordingly, the overall assessment on money laundering risk for businesses and professions is based on both the operating environment (such as products, services and clients offered in the industry) and the control measures. If the business and profession is highly vulnerable but control measures are strong, then the overall risk may be considered as medium.

90. The Final Risk Level is based on the following assumptions. The calculation is based on the arithmetic average process, while considering the weights of indicators.

Vulnerability	Controls	Risk
L	H	L
L	M	ML
L	L	M
M	H	ML
M	M	M
M	L	H
H	H	M
H	M	H
H	L	VH

<u>Weights</u>

91. Row 4 provides the decision on the weights used for indicators. If the weight is 1, this indicates higher importance and the model weights it twice more than other regular indicators. The weight is 2 for the indicators of normal importance.

<u>Recommendations that may be impacted</u>

92. Relevant FATF 40+9 Recommendations that may be impacted as a result of the assessment of risk arising from a particular indicator is listed.

<u>Note</u>

93. Each cell can be expanded as you type the information.

Summarizing the Key ML threats/vulnerabilities/risks

94. After completing the five worksheets, you should summarize the key findings for each worksheet. These summaries would assist you in identifying areas of higher or lower risk.

95. The following is one approach to summarizing the five worksheets, but you may choose other approaches in categorizing the key findings;

a) Prevailing Crime Type: Summarize and list those threats identified as high, or if very few are rated high, those rated as medium ML threats

b) Legal/Judicial/Institutional Framework: List the main vulnerabilities rated high and medium.

c) Economic and Geographical Environment: List the main vulnerabilities rated high and medium.

d) Reporting Institutions (Financial Institutions): Summarize the key findings, with a focus on those areas rated high or low risk requiring an enhanced or reduced focus respectively.

e) Reporting Institutions (DNFBPs): Summarize the key findings, with a focus on those areas rated high or low risk requiring an enhanced or reduced focus respectively.

Template 1: (ii) Terrorist Financing National Risk Assessment

The TF National Risk Assessment Template is very similar to the ML Risk Assessment Template in structure, although some of the indicators are different. The instructions on data collection and how to use the TF template are the same as for the ML template.

Similar to the ML template, there are five worksheets as follows:

1. TF Threat Analysis
2. Economic and Geographical Environment
3. Legal/Institutional/Judicial Framework
4. Reporting Institutions (Financial Institutions)
5. Reporting Institutions (DNFBPs)

It is recommended that users complete the ML template first before attempting the TF template. By doing it sequentially, it will avoid potential repetition, provide an opportunity for quality control, and ensure consistency for indicators where the conclusions are the same for TF and ML.

Where the indicators in the TF template are the same as in the ML template, care should be taken to consider whether the conclusions are the same for TF as for ML. If the same, the response can be simply copied from the ML template. For example, in worksheet 4 and 5, many of the indicators are the same, and therefore conclusions for the TF risk assessment may be very similar to those for ML. The same could be true for worksheets 2 and 3, although the indicators for worksheet 1 are specific to TF and ML respectively.

Template 2: Prioritisation

Template 2 user instructions

This template provides criteria for prioritising Mutual Evaluation Report (MER) or Detailed Assessment Report (DAR) recommendations and for identifying other important implementation requirements. These are highlighted in the 11 columns forming Template 2.

Template 2 allows for all the columns to be sorted based on the different requirements as defined in each of the columns. For example, a data sort can be conducted on the basis of Column 5 – primary implementing agency or column 11, progress status. This will enable agencies to see which agency is carrying the implementation burden or when completion of recommendations is due respectively.

(i) Column 1: Prioritisation Criteria and Column 3: Populating with MER Recommendations

Column 1 outlines the five prioritisation categories or criteria **(A to E)**. These are explained below:

A. Coordination/Resources

The inclusion of 'Coordination/Resources' within this template (Template 2) reflects the essential roles that coordination and resourcing play in an effective AML/CFT framework and which are critical when developing and implementing policies and activities to combat ML/TF.

FATF Recommendations 30 and 31 are pre-requisite FATF Recommendations for effective implementation of any AML/CFT framework and are closely linked to the broader issue of "political will".

Step 1: The first step is to populate **Column 3** with the recommendations in Table 2 of the MER/DAR concerning FATF Recommendations 30 and 31.
Step 2: The second step is optional. Jurisdictions may want to prioritise on the basis of whether Recommendation 30 or 31 is rated either Partially Compliant (PC) or Non Compliant (NC).

B. Building Blocks (including 16 core and key FATF Recommendations)

Building blocks are essentially the 16 FATF core and key recommendations, respectively R.1, 5, 10, 13, SR.II and SR.IV, and R.3, 4, 23, 26, 35, 36, 40, SR.I, SR.III and SR.V. These 16 FATF Recommendations provide the foundation of an effective AML/CFT regime and the implementation of all FATF Recommendations.

The objective of this component is therefore to ensure that 'core' and 'key' FATF Recommendations are identified and accorded priority in Template 2.

Step 1: The first step is to populate **Column 3** with recommendations in Table 2 of the MER/DAR that relate to the 16 core and key FATF Recommendations. You may prefer to paste all MER recommendations (associated with same FATF recommendation in Column B) to a single cell. Alternatively, several MER recommendations can be recorded to consecutive rows in Column 3. This second approach will allow you to analyze the primary/secondary agencies and required actions separately for each MER recommendation. Depending on your approach, please feel free to modify the template by adding or removing rows.

Step 2: The second step is optional. Jurisdictions may want to prioritise the 16 core and key FATF Recommendations rated either Partially Compliant (PC) or Non Compliant (NC).

C. Significant issues and/or risks identified in the MER/DAR

MER/DAR Recommendations that relate to significant risks highlighted in the MER should also be given priority. These are in addition to the 'building block' recommendations already identified.
Step 1: Populate **Column 3** with the recommendations in Table 2 of the MER for non core and key FATF Recommendations that are identified as high risk in the MER.

D. Other significant issues identified by Jurisdiction & in Template 1 ('National Risk Assessment')
Refers to high risk issues not already highlighted in the previous ('Coordination/Resources'; 'Fundamental Building Blocks'; and 'Significant risks') sections. These other risks are identified either in Template 1 ('Risk and Vulnerability Analysis') or from other sources.

Step 1: Populate Column 3 with the recommendations in Table 2 of the MER for non core and key FATF Recommendations that are identified as high risk.

Jurisdictions may want to prioritise those FATF Recommendations rated either Partially Compliant or Non Compliant, and which are not among the 16 core and key FATF Recommendations and not covered in the preceding prioritisation.

Step 2: Populate Column 3 with selected recommendations in Table 2 of the MER for non core and key FATF Recommendations rated PC/NC.

Jurisdictions may also want to include other MER/DAR Recommendations that it considers as a high priority because of domestic or international concerns.

Step 3: Populate Column 3 with other the recommendations in Table 2 of the MER that are regarded as high priority because of specific domestic or international concerns.

E. 'Quick Wins'

'Quick Wins' are MER Recommendations that can be implemented with existing resources and/or authority of primary/secondary agencies. These may not be high priority MER Recommendations but they are Recommendations that a jurisdiction can implement in the short-term to develop momentum or show progress.

Step 1: Populate **Column 3** with the recommendations in Table 2 of the MER that are identified as "quick wins" and not already included in Column 3**.**

(ii) Column 4: Current Status (Improvements made after the MER)

This allows for progress or implementation made since the MER, particularly in relation to addressing identified deficiencies, to be reflected in the prioritisation and planning process. Enter updated progress against each MER recommendation as required.

(iii) Columns 5 and 6: Primary and Secondary Agency

Primary Agency

Step 1: Identify and assign a primary or lead agency responsible for implementing the MER Recommendation. Assigning a primary/lead agency will ensure ownership of implementation and follow-up of the measures undertaken and enable identification of resourcing requirements.

Secondary Agency

Step 1: Identify and assign a secondary agency (s) that will work in collaboration with the primary agency in implementing the Recommendation.

Step 2: Populate **Columns 5 and 6** with primary and secondary agencies respectively**.**

(iv) Column 7: Related FATF Recommendations

This involves identifying related FATF Recommendations.

Some FATF Recommendations may necessitate concurrent implementation of other related FATF Recommendations, or it may simply be more effective and efficient to concurrently implement other related FATF Recommendations in conjunction with the prioritized FATF Recommendation. The related FATF Recommendations should be captured and highlighted in this template (Template 2) to ensure equal priority and consideration is given to these related Recommendations.

Examples:

1. The implementation of Customer Due Diligence (Recommendation 5) should be done simultaneously with Recommendation 10, and also possibly with Recommendations 6, 7, 8 and 9.

2. Likewise for Recommendation 13, Reporting of Suspicious Transactions, this should be done simultaneously with Recommendation 11 and 14.

3. Both of the above examples (Recommendation 5 and its related Recommendations, and Recommendation 13 and its related Recommendations) will also require the implementation of Recommendation 23 (regulation and supervision) and Recommendation 26 (FIU), and other Recommendations.

Step 1: This step is optional. Jurisdictions may want to populate **Column 3** with recommendations in Table 2 of the MER for related core/key FATF Recommendations.

(v) Column 8: Key Action/Output] Required

Identify key actions or outputs required to implement the MER/DAR recommendations identified Column 3.

Examples:
1. Amend AML/CFT legislation
2. Issue Regulatory Guidelines
3. Enhance STR analysis procedures
4. Undertake/improve on-site inspections
5. Issue Guidance on preventative measures
6. Budget and additional staffing resources
7. Enhance market entry requirements e.g Licensing / registration procedures and policies
8. MOU

Outputs identified in Template 2 are further refined and developed in Template 3.

Step 1: Populate **Column 7** with Key Actions/Outputs required

(vi) Column 9: Implementation Issues

Jurisdiction should identify possible constraints that may be faced in implementing certain MER Recommendations. Moreover, jurisdictions should identify possible actions or outputs to address the constraints, and include in Column 7 as necessary.

Example:
1. Lack of resources (funds, manpower, etc)
2. Coordination and cooperation issues between agencies
3. Lack of a central coordination mechanism
4. No designated competent authority or work unit.

(vii) Column 10: Completion Timeframe

This column should identify the end completion date for the MER Recommendation or key output.
This information will link to Template 3 ('Implementation Plan'). Jurisdictions should consider external factors and broader strategic objectives when determining timeframes.

Step 1: Populate Column 8 with completion dates

(viii) Column 11: Progress Status

This column could be use to monitor progress against the targetted completion dates.

Step 1: Populate **Column 10** with progress status

Template 3: Action Plan

This template attempts to build an action plan depending on the findings and prioritization in Template 2. However, it should be noted that Template 3 may be utilized as a separate product. A country may prefer to determine and prioritize the required actions with a different methodology, then use Template 3 to develop an action plan.

(i) The lead agency, in consultation with other affected agencies, to develop detailed action plans for its assigned MER/DAR Recommendations/outputs as identified in SIP Template 2. The link between template 2 and Template 3 is Column 8 (Key Action / Output Required) of Template 2.

(ii) Key Action /Output required is the starting point to build the detailed action plan. The country should decide the sub-actions, number of which may differ depending on the complexity of the "key action".

(iii) For each sub-action included in the detailed action plan, a timeframe should be decided. The country may prefer to check the box that matches the expected fulfilment date of the action. Alternatively, the boxes may be colored to create a term ladder, which will give a visual snapshot of the action plan timeframe.

(iv) It's optional for the countries to include the tentative budget in the action plan. Including the budget estimations may be useful in terms of determining the budget needs timely and starting the process for the required budget allocations.

(v) The lead agency could be the Ministry of Justice, the central bank, FIU, or some other supervisor or law enforcement agency.

(vi) The structure of Template 3 serves as a guide only. Jurisdictions may modify it to suit their own internal planning approach or use their own detailed planning templates, but the key outcomes must be consistent

(vii) In the template three separate rows are already created for the detailed actions of each "Key action/output". This is for the convenience of the users and does not means the number of the detailed actions is expected to be 3. The number of the rows should be modified by Jurisdictions to meet the number of the detailed actions.

<u>Some Excel Tips</u>

- During the assessment you may need to copy some information from PDF files and paste them to the cells in the tables. In such an attempt, each row or paragraph of the copied text may appear in consecutive excel rows rather than a single row. In such case, go to the relevant cell, then paste the copied text to formula bar rather than the cell itself. The whole text will appear in the relevant cell. The formula bar is the white space with "*fx*" sign, just above the column names.

- Sometimes you may want to have different paragraphs inside a single cell. Press "Alt + Enter" to start a new paragraph.