

Annex A

Factsheet on the Financial Action Task Force (FATF)

FATF and the FATF Mutual Evaluation Process

1. The Financial Action Task Force (FATF) leads global action to tackle money laundering, terrorism financing and proliferation financing (ML/TF/PF). The 40-member body sets international standards (known as the FATF Standards) to ensure national authorities can effectively go after illicit funds linked to drug trafficking, illicit arms trade, cyber fraud and other serious crimes. Singapore has been a member of the FATF since 1992.
2. FATF members are periodically assessed through peer reviews (also known as “Mutual Evaluations” or MEs) and follow-up processes to determine and monitor their level of compliance with the FATF Standards and effectiveness of their AML/CFT/CPF systems.
3. Countries are evaluated in two aspects: (i) “Technical Compliance”, which focuses on whether the required AML/CFT/CPF laws and regulations are in place; and (ii) “Effectiveness”, which considers how well countries have achieved outcomes in a range of areas, including risk understanding and mitigation, supervision and enforcement. There are 11 Effectiveness “Immediate Outcomes” (IOs) in total.
4. Based on the results of their ME, countries are placed on one of the following monitoring mechanisms:
 - **Regular Follow-up:** The default and baseline monitoring process for countries. It is a light-touch process for monitoring countries whose ME reflects substantial to high levels of effectiveness and technical compliance. FATF members and the global network are committed to attain regular follow-up.
 - **Enhanced Follow-up:** The process that deals with FATF members whose AML/CFT/CPF system needs major improvements (for technical compliance and/or effectiveness) and involves a more intensive follow-up process. The aim is to ensure countries improve their systems to be good enough to be placed on regular follow-up.
 - **The FATF International Cooperation Review Group (ICRG) process:** A compliance enhancing mechanism for countries whose system needs fundamental improvements, and involves more direct monitoring by the FATF. This is the process that may lead to countries being “greylisted” or “blacklisted” by the FATF.
5. For the 5th round of FATF MEs, significant enhancements were made across the FATF Standards, and there is a stronger focus on the effectiveness of the assessed country’s AML/CFT/CPF regime, taking into consideration its risk profile and context.

Table 1: Scope of the Immediate Outcomes in the FATF Standards

Immediate Outcome (IO)	Scope of IO / Characteristics of an Effective System in the 5 th Round FATF ME (abridged based on the current 5 th round methodology) ¹
IO.1 – Risk, Policy and Coordination	<p>ML and TF risks are identified, assessed and understood.</p> <p>Policies are co-operatively developed and where appropriate, actions co-ordinated domestically to combat ML and TF.</p>
IO.2 – International Cooperation	<p>International cooperation delivers appropriate information, financial intelligence and evidence, and facilitates action against criminals and their assets.</p>
IO.3 - AML/CFT supervision and preventive measures in relation to Financial Institutions (FIs) and Virtual Asset Service Providers (VASPs)	<p>Supervisors appropriately supervise, monitor and regulate FIs and VASPs for compliance with AML/CFT requirements.</p> <p>FIs and VASPs adequately apply AML/CFT preventive measures and report suspicious transactions.</p> <p>The actions taken by supervisors, financial institutions and VASPs are commensurate with the risks.</p>
IO.4 - AML/CFT supervision and preventive measures in relation to Designated Non-Financial Businesses and Professions (DNFBPs)	<p>Supervisors appropriately supervise, monitor and regulate DNFBPs for compliance with AML/CFT requirements.</p> <p>DNFBPs adequately apply AML/CFT preventive measures commensurate with the risks and report suspicious transactions.</p>
IO.5 - Beneficial Ownership Transparency for Legal Persons and Legal Arrangements	<p>Legal persons and arrangements are prevented from misuse for ML or TF, and information on their beneficial ownership is available to authorities without impediments.</p>
IO.6 – Use of Financial Intelligence in ML/TF Investigations	<p>Financial intelligence and other relevant information are appropriately used by authorities for ML and TF investigations.</p>
IO.7 - ML investigations and Prosecutions	<p>ML offences and activities are investigated and offenders are prosecuted and subject to effective, proportionate and dissuasive sanctions.</p>
IO.8 – Asset Recovery	<p>Asset recovery processes lead to confiscation and permanent deprivation of criminal property and property of corresponding value from criminal actors.</p>
IO.9 – TF Investigations and Prosecutions	<p>TF offences and activities are investigated and persons who finance terrorism are prosecuted and subject to effective, proportionate and dissuasive sanctions.</p>
IO.10 TF Preventive Measures and Targeted Financial Sanctions (TFS)	<p>Terrorists, terrorist organisations and terrorist financiers are prevented from raising, moving and using funds.</p>

¹ The full FATF methodology which Singapore was assessed against can be found at the following link: <https://www.fatf-gafi.org/en/publications/Mutualevaluations/Fatf-methodology.html>

IO.11 Counter-
Proliferation Financing
(CPF)

Persons and entities involved in the proliferation of weapons of mass destruction are prevented from raising, moving and using funds, consistent with the relevant United Nations Security Council Resolutions.