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IMF Board Discusses the Fund's Intensified Involvement in Anti-Money Laundering and Combating the Financing of Terrorism

On November 12, 2001, the Executive Board of the International Monetary Fund (IMF) discussed how the Fund should intensify its involvement in anti-money laundering (AML) efforts and combating the financing of terrorism. [Background materials to the Executive Board discussion](#) are posted on the IMF website.

Background

Money laundering and the financing of terrorism are issues that concern countries at every stage of development, and involve both onshore and offshore financial centers. These are global problems that not only affect security, but also potentially harm economic prosperity and the international financial system.

On April 13, 2001, the Executive Board agreed to enhance the Fund's contributions to the global efforts to counter money laundering by

- intensifying its focus on anti-money laundering elements in all relevant financial supervisory principles, in particular by developing a methodology that would enhance the assessment of financial standards relevant for countering money laundering,
- working more closely with major international anti-money laundering groups,
- increasing the provision of technical assistance in this area,
- including anti-money laundering concerns in its surveillance and other operational activities when macroeconomic relevant, and
- undertaking additional studies and publicizing the importance of countries acting to protect themselves against money laundering.

Directors generally agreed that the 40 Recommendations on AML made by the Financial Action Task Force on Money Laundering (FATF) should be recognized as the appropriate standard for combating money laundering. Directors also agreed that work should go forward to determine how the Recommendations could be adapted and made operational to the Fund's work with a view eventually to preparing related Reports on Standards and Codes (ROSC). Further

information on the April 13 Executive Board discussion of these issues is available in Public Information Notice 01/41 of April 29, 2001.

The work requested by the Board in April 2001 has been taken forward. For example, staff of the Fund and the Bank have prepared a draft methodology to assess a country's compliance with financial sector supervisory standards relating to preventing abuse of the financial system by criminals, and are applying the methodology in several pilot cases. The Fund has also recently provided technical assistance to a number of countries wishing to strengthen their anti-money laundering regimes.

Recent events have prompted a reexamination at national and international levels of mechanisms for the promotion and enforcement of laws against both money laundering and the financing of terrorism. In these circumstances the Fund too is reconsidering its contribution to these international efforts. The Fund is already playing a facilitating role within its mandate in areas that relate to the integrity and stability of the international financial system. The Fund, as a collaborative institution with near universal membership, is a natural forum for sharing information, developing common approaches to issues, and promoting desirable policies and standards. In addition, the Fund has expertise based on its broad experience in conducting assessments, providing technical assistance in the financial sector, and exercising surveillance over member's exchange systems. The Fund's contribution can complement the new undertakings of FATF, which remains in the lead in setting standards in this area, and those of the World Bank and other financial sector standard-setters and relevant institutions.

Executive Board Assessment

Executive Directors welcomed the opportunity to review progress in the Fund's work on anti-money laundering issues and to consider the Fund's role in combating terrorism financing in the aftermath of the events of September 11. They stressed that the Fund has a key role to play in combating money laundering and terrorism financing as part of international efforts to prevent the abuse of financial systems and to protect and enhance the integrity of the international financial system. Many countries and international bodies are reexamining how to promote and enforce laws in these areas. In this context, there was broad agreement that the Fund needs to intensify its contribution to these international efforts, taking account of its mandate and expertise, and to work closely with the World Bank and other international bodies in order to avoid duplication of work.

Directors acknowledged the progress achieved in implementing the measures contained in the Board's summing up of April 13, 2001 to enhance the role of the Fund in the area of anti-money laundering. In particular, Directors noted that (a) an AML Methodology Document has been prepared, circulated for comment, and is being piloted; (b) work is underway with FATF to adapt the FATF 40 Recommendations to the ROSC process and to review and update the Recommendations, and (c) technical assistance for AML has been intensified and in some cases extended to include, for example, the creation of financial intelligence units.

In considering how the Fund could extend its activities to limit the use of financial systems for terrorism financing, and to make its anti-money laundering work more effective, Directors stressed that the Fund's involvement in these areas should be consistent with its mandate and core areas of expertise. Recognizing that no single agency can resolve the problems independently, they emphasized that the Fund should adopt a disciplined and collaborative approach that respects the expertise, scope, and mandate of other relevant institutions, and that the roles of the various institutions involved should be clarified. Directors reaffirmed that the Fund's primary efforts should be in assessing compliance with financial supervisory principles and providing corresponding technical assistance. They confirmed, in particular, that it would be inappropriate for the Fund to become involved in law enforcement issues.

Directors generally agreed that the set of measures in the staff paper were an appropriate response by the Fund to the challenges facing the institution, in a way that is consistent with the Fund's mandate and existing practices. In particular, Directors supported:

- expanding the Fund's involvement beyond anti-money laundering to efforts aimed at countering terrorism financing;
- expanding the joint Fund/World Bank AML Methodology Document and Fund technical assistance to include aspects relating to anti-terrorism financing. In addition, Directors noted that effective implementation of financial supervisory principles depends on a sound legal framework and on other institutional structures. Thus, most Directors considered it appropriate to expand coverage to legal and institutional issues in the AML methodology. Some Directors considered that the methodology document should eventually cover all the FATF Recommendations, both the original 40 (as revised) and the additional 8 on anti-terrorist financing. However, several Directors supported an evolutionary approach whereby the staff would work on expanding coverage of the assessment methodology to these issues while experience in the implementation of the present Methodology Document accumulates. The revised Fund/World Bank AML Methodology Document will be circulated to the Board as soon as it is ready;
- applying the expanded methodology in Offshore Financial Center (OFC) assessments (the pace of which would be speeded up), as well as onshore assessments in the context of Financial Sector Assessment Programs (FSAPs), though they stressed that these assessments should be done on a voluntary basis;
- circulating to all Fund members over time in the context of Article IV consultations a voluntary questionnaire (based on the expanded AML methodology). This exercise should be seen as a complement and not as a substitute to FSAPs and OFC assessments, and should inform the Article IV discussions and help set priorities for technical assistance. The results of the exercise could, with the agreement of the member, be made available to the Board;
- enhancing the Fund's collaboration with the FATF, including by working closely and rapidly with the FATF on a suitable assessment process that is compatible with the

uniform, voluntary, and cooperative nature of the ROSC exercise, and by contributing to the revision of the FATF 40 Recommendations;

- increasing relevant Fund technical assistance—but avoiding diversion of TA resources from their traditional uses—to correct deficiencies in countries' anti-money laundering and anti-terrorism financing regimes identified in the course of FSAPs and OFC assessments; and to develop a Fund role in the coordination of such technical assistance; and
- undertaking further research and analysis on relevant issues, including alternative remittance and payment systems, and corporate vehicles.

Directors further agreed that a key element in combating money laundering and terrorist finance is more effective information sharing and cooperation among national authorities and international agencies. They called upon governments to create mechanisms to enable collection and sharing, including cross-border sharing of relevant financial information with appropriate supervisory and law enforcement authorities. Directors stressed that primary responsibility for enforcement of anti-money laundering and anti-terrorism financing measures will continue to rest with national authorities.

Directors noted the preliminary estimates of additional resources needed to undertake these tasks. They generally agreed that these estimates could be used as a basis for moving forward. Refining these estimates and including the resource impact of the extra work, together with any possible offsets, should be examined in the course of the budget discussions for the next financial year 2003.

Directors believed that this package of further actions by the Fund, taken together, would constitute a substantive and measured response to the global challenges by enabling the Fund to make a more useful contribution to combating money laundering and terrorist finance.

Directors requested the staff to keep the Board informed on progress in this area, including on efforts to converge toward a single and comprehensive assessment methodology that is operational for the Fund's work, and to prepare a progress report for the Board by the Spring 2002 meeting of the International Monetary and Financial Committee as well as a paper on the outcome of the enhanced work program before the 2002 Annual Meetings.

Public Information Notices (PINs) are issued, (i) at the request of a member country, following the conclusion of the Article IV consultation for countries seeking to make known the views of the IMF to the public. This action is intended to strengthen IMF surveillance over the economic policies of member countries by increasing the transparency of the IMF's assessment of these policies; and (ii) following policy discussions in the Executive Board at the decision of the Board.