

Meeting Note: Multi-Sector Roundtable on the UK's 2027 FATF Evaluation

Held on 8th October 2024 at the City of London Corporation

Introduction

1. This note summarises a half day, multi-sector roundtable held to discuss the UK's upcoming 2027 Mutual Evaluation Review (MER) by the Financial Action Task Force (FATF). Expert participants attended from the public sector (government, regulators, law enforcement), the private sector (financial services, tech, professions) and civil society. The roundtable was convened by the Joffe Trust in partnership with the City of London Police Authority. The aims of the roundtable were to:
 - develop a shared understanding of the FATF MER process,
 - identify opportunities for inclusive engagement,
 - discuss how stakeholders can work together to make the most of the evaluation process.
2. The roundtable was held under the Chatham House rule, enabling a wide range of perspectives to be exchanged and relationships to be developed. There was a collegiate approach to sharing hard won and fascinating experience, which helped dispel some myths around the 2018 MER, as well as a striking level of shared commitment to enhancing the UK's fight against economic crime.
3. This note summarises key points from the lively and wide-ranging discussion. Findings from an anonymous survey completed by participants are included as Appendix A. A list of FATF MER-related resources is included as Appendix B. A handful of potential actions have been incorporated, marked in italics, as emerging next steps. There was significant appetite to continue this dialogue.

Summary of Discussion

The FATF MER process

4. The first session focused on creating a shared understanding of the FATF MER process and opportunities for engagement. A walkthrough of the process for the FATF MER's 5th round of evaluations was provided as well as a high-level overview of the FATF architecture and opportunities for engagement. (See Appendix B.)
5. The FATF MER process is long, heavy and highly technical. It involves assembling and reviewing vast amounts of detailed material as well as structured engagement between assessors and the assessed country. The process is complex, but clearly documented by the FATF. (See Appendix B.) HMG has started preparing for the UK's 2027 MER.
6. Key insights into the FATF MER process include:
 - The process takes a huge amount of time and energy for many people involved.
 - As evidence-based assessments, MERs include reviewing documentation provided by national authorities as well as open-source material identified by assessors.
 - Assessors are identified from different countries to ensure the right breath of representation.
 - MERs provide an opportunity for challenge and feedback across different sectors and internationally.
7. The on-site visit has been reduced from three to two weeks for the 5th round of evaluations, driving even more focused use of time. Efforts are also being made to increase engagement with civil society organizations.
8. FATF MERs tend to focus senior leadership and political attention on economic crime. Internationally, MERs are the major driver of beneficial ownership transparency reform.

Proposed Action:

- *It would be useful to identify specific examples of the positive and negative impacts of different MER ratings.*

Lessons learned from the 2018 MER

9. The second session focused on lessons learned from the UK's 2018 MER. The 2018 MER process was rigorous, and the MER identified key areas for further improvement. However, the political narrative emerged that "the UK is the best in the world," which was actively promoted by HMG. At the time, the UK was world leading in several areas. There was a sense, however, that this did not fully reflect the on-the-ground reality and led to the perception that this limited political appetite to drive forward change. The Economic Crime Plan 1 was subsequently released with public commitments to respond to areas the FATF MER had identified as needing improvement.
10. Commitment to achieving good AML and economic crime outcomes ("effectiveness") should be encouraged, rather than focusing solely on the MER as a process in itself. Looking ahead, ECP2 is more of a catalyst for future improvement. A balanced approach will be needed that places the MER within this context. It would be useful to identify how the MER can best be used to drive reform forward.

Proposed Actions:

- *It may be useful to consider how an appropriate narrative could be developed before, during and after the 2027 MER that continues to drive needed reforms.*
- *It would be useful to identify in advance key recommendations that could be made by the MER.*
- *It may be useful to identify connections between FATF's effectiveness framework and reform priorities.*

The UK's 2027 FATF MER

11. The third session focused on identifying opportunities and priorities for the UK. The operating context has changed significantly since 2018. Brexit has been further implemented and the Covid pandemic hit. Austerity has impacted operational budgets, there are rising perceptions of domestic corruption, the Ukraine war has transformed the political landscape, and developments in tech and crypto pose challenges and opportunities for economic crime.
12. The 5th round of mutual evaluations provides an opportunity to generate political will and build international consensus on key AML issues which remain unresolved. For example, defining how to measure progress in tackling money laundering is challenging and requires new metrics around difficult to quantify factors (i.e.. the uses and limits of financial measures and fines, the use of supervisory tools, the value of disruptions, the level of harm prevented, the value of referencing crypto seizures vs. traditional asset seizures, determining the appropriate quantity and quality of SARs submitted, and how to assess the non-financial sector (e.g. enablers)).
12. Current vulnerabilities faced by the UK that may be addressed by the MER process include: identifying and mitigating risks around potential single points of failure in the system (reliance on key individuals), strengthening the FIU, enhancing risk based supervision and strengthening system leadership to drive effective outcomes. There was also a sense that there has been an element of complacency since the UK's 2018 MER and the UK has not kept pace in areas such as law enforcement capability and public-private partnerships when compared to other countries (though ECP2 is an impressive example of PPP). However, ECP2 sets out an ambitious programme which is in train.
14. The UK's 2027 MER offers an opportunity to showcase work that the UK is proud of. It is very important that progress and successes are publicly recognised to sustain momentum and

commitment to further reform by everyone involved, including in relation to ECP2. At the same time, it is important to get a sense of the context in which the MER report will be received and discussed at leadership levels. The MER also provides a mechanism to promote good practices and influence standards internationally as was the case with the UK's public-private partnership model that inspired global efforts in this space. At the time of the 2018 MER, the UK was leading the charge in the field of AML/CTF. Moving forward, successes that could be showcased include:

- The creation of the NECC and OPBAS
- An increase in conversion of SARs linked to investigations
- Evolution of the public-private partnership model
- Enhancements to FCA supervisory approach
- The Professional Enablers Strategy
- Public access to Companies House data (and Companies House reform)
- Publication of asset recovery data
- NCA innovations: Data Fusion (data sharing initiative with 7 largest UK banks), UK-UAE Partnership to Tackle Illicit Financial Flows (promoting operational collaboration and combining AML resources), Operation Spincaster (collaborating with tech partners in crypto to tackle fraud) and strengthening relationships with academia.

Proposed Actions:

- *It may be useful to identify key unresolved AML issues and start discussing approaches for resolving them at the national level before amplifying internationally.*
- *It would be useful to provide assessors with examples of specific good practices for both domestic and international audiences.*

Identifying multi-sector actions

15. The final session aimed to identify multi-sector actions. Participants reported that they found this multi-sector dialogue valuable and expressed appetite to continue it, maybe focusing on thematic areas of the MER and involving other stakeholders such as academics or journalists. Other areas for multi-stakeholder engagement include:

- Secondments to build capacity and share learning between public and private sectors,
- Development of a joint NCA – investigative journalist conference,
- Creating a space to encourage proportionality with low capacity countries and a deeper focus on risk in the new round of evaluations under the MER process,
- Exploring the use of behavioural metrics to prevent harm.

16. Opportunities to deepen civil society engagement in the MER process, going beyond the established routes within the process, include: (1) the creation of a contact group; and (2) development of a shadow NRA or MER.

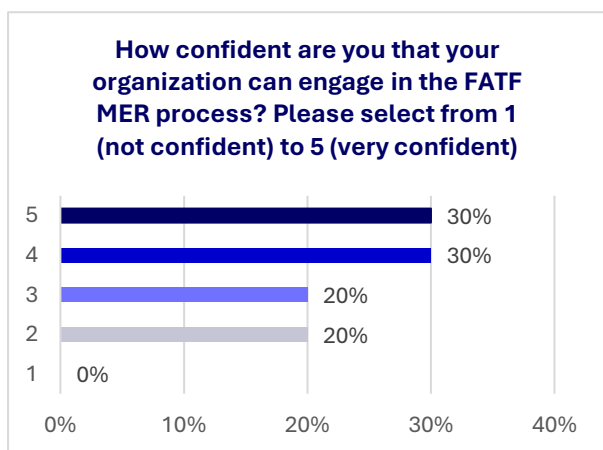
17. The more that civil society know about successes and progress, informed by transparency by HMG, the more constructive they can be. There may be lessons from UNCAC's approach to engaging with civil society. RUSI have convened a taskforce of a small group of experts on the UK's 2027 MER, that met recently and will meet again in six months. It was recognized that civil society can be a friend as well as a foe and say things that others may not be able to.

Proposed Action:

- *It would be beneficial to continue this constructive multi-sector conversation.*

Appendix A: Survey Results

Participants were invited to respond anonymously to a survey on the FATF MER. 10 responded: 5 from the public sector, 3 from the public sector and 2 from civil society. Questions were asked in relation to levels of engagement, lessons learned, impact on the UK's progress in the economic crime agenda and proposed next steps. This appendix summarises responses.



2027 FATF MER opportunities

- Raise the political profile of AML work and provide impetus needed for political will to drive reforms.
- Broaden scope of AML engagement (include tech and telecoms) and ensure joined up plan with strong leadership to ensure delivery across multiple stakeholders.
- More focused system prioritization to fully identify and close gaps and advance reforms while giving comfort to areas that are working well.
- Document the evolution of and ability to tackle threats with technological innovations (AI/crypto).
- Allow correct areas of focus to be brought to the forefront.
- Carry out a more realistic assessment of challenges to the response system (i.e. prosecutor appetite to support standalone money laundering investigations).

Risks to the FATF MER process

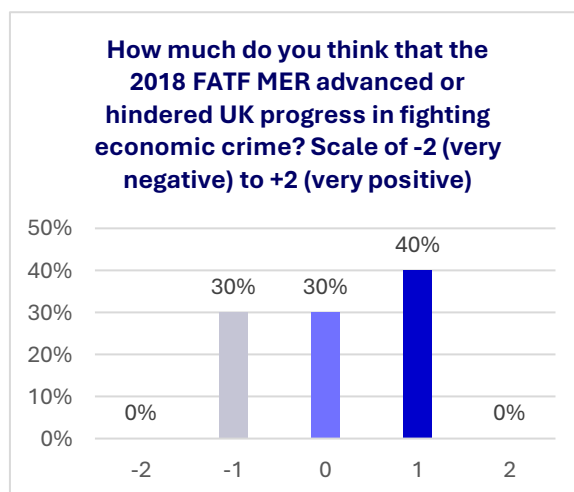
- Lack of understanding and misrepresentation of the facts on the ground or all of the fantastic work that goes into the fight against financial crime.
- That it does not take into account the future state of financial services in 2030.
- Leads to a host of new actions that distract from work underway.
- It is too light touch on issues such as resourcing challenges.
- It becomes a missed opportunity.

Ideas for wider engagement

- Early socialisation of the process & clarity on how different types of engagement leads to intended outcomes.
- Holding a continued programme of multi-stakeholder events (including HMG MER teach-ins and developing an understanding of the types of supporting documentation needed).
- Guidance on how different sectors should prepare for FATF engagement.

Lessons learned

- Need for more inclusive engagement.
- Not allowing the UK to become complacent after a good score and ensuring outstanding reforms (i.e. FIU, SARs, supervisory frameworks) receive political impetus.



Proposed multi-stakeholder actions

- Ongoing multi-stakeholder dialogues on particular themes that will arise at the 2027 MER.
- Look more closely at resourcing, tools and technology and push for a national financial crime data and analytics unit.
- Amplify the TechSprint approach to build a financial crime innovation lab environment across sectors to identify money laundering.
- Shadow FATF MER by civil society.
- Develop shared understanding of systems-wide issues.

Appendix B: FATF MER-Related Resources

1. *FATF MER Process*

- [An effective system to combat money laundering and terrorist financing](#)

Landing page providing an overview of visuals detailing an effective system to combat money laundering and terrorist financing, including an useful overview of the Intermediate Outcomes and Immediate Outcomes (which need to be aligned with changes made as part of the 5th round of mutual evaluations).

- [FATF, Methodology for assessing technical compliance with the FATF Recommendations and effectiveness of AML/CFT/CPF systems \(August 2024\)](#)

Provides a structural framework of the updated methodology developed for the 5th Round of Mutual Evaluations and as a guide for use by assessors when conducting a MER to ensure consistency and high quality of MERs. [252 pages]

- [FATF, Procedures for the FATF AML/CFT/CPF Mutual Evaluations, Follow-Up and ICRG \(May 2024\)](#)

Sets out procedures for MERs, follow-up and International Co-operation Review Group (ICRG) processes carried out during the 5th Round of Mutual Evaluations. This includes defining roles and responsibilities, team composition, evaluations led by/with other groups, follow-up and ICRG process, post-plenary and consistency review, publication and media outreach. [74 pages]

- [FATF, Consolidated Processes and Procedures for Mutual Evaluations and Follow-Up: “Universal Procedures” \(May 2024\)](#)

Contains a set of core elements that apply to all AML/CTF/CPF assessments and follow-up processes, including roles and responsibilities, composition of Mutual Evaluation Assessment Team and selection process, procedures and steps in the evaluation process, follow-up and International Co-operation Review Group (ICRG) processes maintaining oversight of grey/black listed countries, post-plenary quality and consistency review, and publication and outreach. [66 pages]

2. *UK’s 2018 MER*

- [FATF, Anti-Money Laundering and counter-terrorist financing measures: United Kingdom Mutual Evaluation Report \(2018\)](#)

The MER provides a detailed assessment of the UK’s AML/CTF framework carried out under the 4th round of mutual evaluations (using the previous FATF methodology). [252 pages]

- [FATF, Anti-Money Laundering and counter-terrorist financing measures: United Kingdom Follow-up Report & Technical Compliance Re-Rating \(2022\)](#)

Provides a follow-up assessment of progress in addressing technical compliance deficiencies identified in the UK’s 2018 MER (generally related to Recommendations 13 and 29) and an assessment of the UK’s implementation of new requirements due to changes to the FATF Recommendations (Recommendations 2 and 15) [8 pages]

3. UK's National Risk Assessments

- [HMT & Home Office, National Risk Assessment \(NRA\) of money laundering and terrorist financing \(2020\)](#)

Provides a detailed assessment of the UK's money laundering and terrorist financing threat landscape and understanding of risks in line with Regulation 16 of The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017. Also includes an overview of the legal, regulatory and law enforcement framework providing a useful basis for assessment of changes since the 2018 FATF MER. [152 pages]

- [HMT & Home Office, National Risk Assessment \(NRA\) of money laundering and terrorist financing \(2017\)](#)

Includes an overview of the legal, regulatory and law enforcement framework providing a useful foundation to help assess changes to the UK's framework since 2017. [91 pages]

- [HMT, National risk assessment of proliferation financing \(September 2021\)](#)

Provides a detailed assessment of the illicit finance threats and risks associated with proliferation financing following publication of the 2020 NRA.

4. Sectoral risk Assessments

- [Solicitors Regulatory Authority, Sectoral Risk Assessment – Anti-money laundering and terrorist financing \(Updated 5 March 2024\)](#)

Risk assessment produced for independent legal professionals, tax advisers and trust and company service providers. [web pages]

- [Gambling Commission, The 2023 money laundering and terrorist financing risks within the British gambling industry \(30 November 2023\)](#)

Risk assessment produced that presents key risks associated with each of the sectors that make up the UK's gambling industry, including licensed land-based and remote activity. [40 pages]

5. Resources on the FATF for NPOs

- [Explainer Slides | Global NPO Coalition on FATF](#)

Includes slides providing an overview of the FATF Architecture, MER process, etc. and additional useful information for NPOs looking to engage in the FATF process.

6. Additional FATF-MER related resources

- [White & Case, "The Economic Impact of FATF Grey-Listing" \(30 October 2023\)](#)

Looks at the impact of FATF grey listing and links to primary sources.

- [Oliver Bullough for The Guardian, "How Britain can help you get away with stealing millions: a five-step guide," \(5 July 2019\)](#)

Highlights how professional services available in the UK are exploited by criminals to launder funds.

- [Financial Times, “UK receives top marks in fight against money laundering,” \(7 December 2018\)](#)

News story on the UK’s MER outcomes widely referenced. [webpage]

- [RUSI, No Rest for the Wicked: Driving Change in the UK’s Post-FATF Evaluation AML Regime \(February 2019\)](#)

Provides an analytical assessment of the UK’s AML landscape; assesses the MER’s findings against “the reality on the ground”; examines the supervisory regime; looks at innovations in public-private information sharing; explores the evolution of challenges posed by new technology; and assesses the UK’s ability to disrupt proceeds of crime, calling for reform. [60 pages]

- [RUSI, Destination 2018 Towards the FATF Evaluation of the UK \(December 2015\)](#)

Provides an analytical assessment of the UK’s MER history dating back to 2007 with a view to identifying challenges and pitfalls that would face the UK in the 2018 MER. [52 pages]