



## ASSESSMENT OF THE EFFECTIVENESS OF THE AML / CFT SYSTEM OF THE COUNTRY

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Assessing the effectiveness of a country's AML / CFT system is just as important as assessing technical compliance with the FATF Standards. Performance Evaluation Objectives: (a) strengthen the FATF's results orientation; (b) determine the extent to which the national AML / CFT system is achieving the objectives of the FATF Standards, and identify weaknesses in the system; (c) enable countries to prioritize actions to improve their system. For the purposes of this Methodology, effectiveness is formulated as "The degree to which the designated results are achieved".

In the context of AML / CFT, efficiency is the degree to which the financial system and the national economy mitigate the risks and threats of money laundering, terrorist financing and the financing of the proliferation of weapons of mass destruction. This may be related to the intended outcome of the given: (a) policy, legislation, binding measures; (b) programs of activities in the field of law enforcement, oversight, intelligence; (c) the application of a special set of measures to reduce the risks of money laundering and terrorist financing, and to combat the financing of the proliferation of weapons of mass destruction.

The effectiveness assessment is intended to obtain a correct understanding of the country's AML / CFT system as a whole and the quality of its work. The performance assessment is based on an approach that is fundamentally different from the assessment of technical compliance with the Recommendations. This does not include checking whether specific requirements are met or whether all elements of this Recommendation are present. On the contrary, it is required to assess whether and to what extent the specified results are being achieved, i.e., whether the main objectives of the AML / CFT system are effectively implemented in practice, in accordance with the FATF Standards. The assessment process depends on the decision of the experts who will work in consultation with the country being assessed.

It should be noted that the assessed country is responsible for demonstrating the effectiveness of its AML / CFT system. If no evidence of this is presented, experts can only conclude that the system is not effective.

To assess the effectiveness of the FATF, it has adopted a results-based hierarchy approach. At the highest level, the goal of implementing AML / CFT measures is to achieve a state where "Financial systems and the economy more broadly are protected from the threats of money laundering and terrorist financing and the financing of the proliferation of weapons of mass destruction, thereby strengthening the integrity of the financial sector and contributing to security and safety. ". In order to strike the right balance between a comprehensive understanding of the effectiveness of a country's AML / CFT system and a detailed analysis of how well its constituent parts are functioning, the FATF assesses effectiveness primarily in terms of eleven Immediate Outcomes. Each of them represents one

of the main objectives that an effective AML / CFT system must achieve, and they translate into three Intermediate Results, representing the major underlying goals of AML / CFT activities. This approach does not imply a direct assessment of the effectiveness with which a country is implementing individual Recommendations; or the work of specific organizations or institutions. Experts are not required to directly assess the High-Level Objective and Intermediate Results, although these can be taken into account in preparing a written PSIA and formulating an overall country performance assessment in general terms.

**Table 1**

**Relationship between High-Level Goal, Intermediate Outcomes and Immediate Outcomes**

<b>High Level Objective:</b> Financial systems and economies more broadly are protected from money laundering, terrorist financing, and proliferation financing threats, thereby strengthening the integrity of the financial sector and contributing to safety and security.	
<b>Intermediate Results:</b>	<b>Immediate Results:</b>
<p>Policy, coordination and communication reduce the risks of money laundering and terrorist financing.</p> <p>Criminal proceeds and terrorist funds are discouraged from penetrating the financial and other sectors, or the sectors themselves identify and report them.</p> <p>Money laundering threats are detected and blocked, and criminals are punished and deprived of illegal proceeds. Terrorist financing threats are detected and blocked, terrorists are deprived of resources, and those who finance terrorism are punished, thus helping to prevent terrorist attacks.</p>	<p>1. The risks of money laundering and terrorist financing are understood and, where necessary, nationally coordinated actions to combat money laundering, terrorist financing and the proliferation of weapons of mass destruction.</p> <p>2. International cooperation provides the necessary information, financial intelligence, evidence and promotes activities against criminals and their assets.</p> <p>3. Supervisors adequately supervise, monitor and regulate financial institutions and DNFBPs to comply with AML / CFT requirements commensurate with the risks involved.</p> <p>4. Financial institutions and DNFBPs duly apply AML / CFT preventive measures commensurate with their risks and report suspicious transactions.</p> <p>5. The use of legal entities and arrangements for illegal purposes for money laundering and terrorist financing is prevented, and information regarding their beneficial ownership is freely available to the competent authorities.</p> <p>6. Operational data from financial intelligence and all other pertinent information is duly used by the competent authorities to conduct investigations into money laundering and terrorist financing.</p> <p>7. Crimes and activities related to money laundering are investigated, and offenders are prosecuted and subject to effective, proportionate and dissuasive sanctions.</p> <p>8. The proceeds of crime and the means of committing crimes are confiscated.</p> <p>9. Terrorist financing offenses and activities are</p>

investigated and terrorist financiers prosecuted and subject to effective, proportionate and dissuasive sanctions.

10. Terrorists, terrorist organizations and those who finance them are prevented from collecting, moving and using funds, as well as from using the NPO sector for illegal purposes.

11. Individuals and organizations involved in the proliferation of weapons of mass destruction are prevented from collecting, moving and using funds in accordance with the relevant UN Security Council Resolutions.

Assessors must evaluate all eleven Immediate Outcomes. However, prior to the onsite mission to the country, the assessors should conduct, in consultation with the assessed country, a preliminary scoping analysis that should take into account the risks and other factors identified in paragraphs 5-10 (see above). The assessors should, in consultation with the assessed country, highlight high-risk issues that should be addressed in more detail during the audit and reflected in the final report. They should also strive to identify areas of low / low risk where verification at the same level of detail may not be necessary. During the assessment, assessors should continue to engage the country and revise their scoping assessment based on their initial performance results, with a view to focusing on areas where there is great potential to improve performance against major AML / CFT risks.