INTERNATIONAL MONETARY FUND
FACTSHEET

The IMF and the Fight Against Money Laundering and the Financing of Terrorism

There is no doubt that money laundering and terrorist financing can threaten a country's economic stability, which is why the IMF has become increasingly active in supporting and promoting the AML/CFT efforts of our member countries, based on the [Financial Action Task Force] standard. What started as a small endeavor some 20 years ago has become part of our core work—from analysis and policy advice, to assessing the health and integrity of financial sectors, to providing financial assistance when needed, to helping countries build institutions and increase operational effectiveness.

- Christine Lagarde, Managing Director of the IMF

Money laundering is the processing of assets generated by criminal activity to obscure the link between the funds and their illegal origins. Terrorism financing involves raising funds to support terrorist activities. While these two phenomena differ in many ways, they often exploit the same vulnerabilities in financial systems that allow for an inappropriate level of anonymity and opacity in carrying out transactions.

In 2000, the IMF responded to calls from the international community to expand its work on anti-money laundering (AML). After the tragic events of September 11, 2001, the IMF intensified its AML activities and extended them to include combating the financing of terrorism (CFT). In 2009, the IMF launched a donor-supported trust fund to finance AML/CFT capacity development in its member countries. In 2014, the IMF's Executive Board reviewed the Fund's AML/CFT strategy and gave strategic directions for the work ahead (see below).

A threat to economic and financial stability

The IMF is especially concerned about the possible consequences of money laundering, terrorist financing, and related crimes to the integrity and stability of the financial sector and the broader economy. These illicit activities can discourage foreign investment and distort international capital flows. They may also result in welfare losses, draining resources from more productive economic activities, and even have destabilizing effects on other countries. In an increasingly interconnected world, the harm done by these activities is global. Money launderers and terrorist financiers exploit the complexity inherent in the global financial system as well as differences between national laws; jurisdictions with weak or ineffective controls are especially attractive for moving funds undetected. Strong AML/CFT regimes enhance the integrity and stability of financial sectors, which in turn helps countries become integrated into the global financial system. They also strengthen governance and tax/fiscal administration.

International standards guide effective AML/CFT regimes

The Financial Action Task Force on Money Laundering (FATF), a 37-member inter-governmental body established by the 1989 G7 Summit in Paris, has primary responsibility for developing a worldwide standard for AML/CFT. It works in close cooperation with other key international organizations, including the IMF, the World Bank, the United Nations, and FATF-style regional bodies (FSRBs).

To help national governments set up effective AML/CFT regimes, the FATF issued a list of recommendations that set out a basic, universally applicable framework of measures covering the criminal justice system, the financial sector, certain non-financial businesses and professions, transparency of legal persons and arrangements, and mechanisms of international cooperation. In 2012, these recommendations were revised and updated (The FATF Recommendations). In 2013, the FATF adopted a revised a common Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems. The IMF Board later endorsed the revised recommendations and assessment methodology in 2014 and Fund staff participated in the first mutual evaluations conducted under the revised standard and methodology (i.e., Belgium, Norway, Spain, Australia and Malaysia). It also led the assessments of Italy and Canada and is currently conducting assessments of Mexico and Colombia, and is launching the assessment of China. The Group of Seven and Group of 20 have supported these efforts in the context of initiatives to address corruption and cross-border tax evasion.

The IMF's role in AML/CFT efforts

During the past 15 years, the IMF has helped shape domestic and international AML/CFT policies. Staff work has included more than 70 AML/CFT assessments, numerous involvements in Article IV consultations, Financial Sector Assessment Programs (FSAPs), and inputs into the design and implementation of financial integrity-related measures in Fund-supported programs, as well as many capacity development activities and research projects. The IMF staff has been particularly active in providing financial integrity advice in the context of surveillance, evaluating countries' compliance with the international AML/CFT standard, and in developing programs to help them address shortcomings. The IMF also analyzes global and national AML/CFT regimes and how they interact with issues such as virtual currencies, Islamic finance, costs of and mitigating strategies for corruption, and the withdrawal of correspondent banking relationships.

In line with a growing recognition of the importance of financial integrity issues for the IMF, the AML/CFT program has evolved over the years. In 2004, the Executive Board agreed to make AML/CFT assessments and capacity development a regular part of IMF work. In 2011, the Board discussed a report on the evolution of the AML/CFT program over the previous five years. Directors supported the mandatory coverage of financial integrity issues in specific circumstances and further specified in the 2012 Guidance Note the inclusion of AML/CFT in surveillance and FSAPs. In the context of Article IV consultations, staff is required to discuss AML/CFT issues in cases where money laundering, terrorism financing, and related crimes (such as corruption or tax crimes) are serious enough to threaten domestic stability, balance of payments stability, or the effective operation of the international monetary system. In the 2014 review of the Fund's AML/CFT strategy, the Board encouraged staff to continue its efforts to integrate financial integrity issues into its surveillance and in the context of Fund-supported programs, when financial integrity issues are critical to financing assurances or to achieve program objectives. The Board also decided that AML/CFT should continue to be addressed in all FSAPs but on a more flexible basis.

In 2009, the IMF launched a donor-supported trust fund—the first in a series of Topical Trust Funds (TTF)—to finance capacity development in AML/CFT that complemented the IMF's existing financing accounts. The TTF leverages staff expertise and experience to deliver tailored AML/CFT capacity development. The TTF's first phase ended in April 2014. Considering its success and the continuing high demand for capacity development in this area, a new five-year phase started in May 2014 and donors (France, Japan, Luxembourg, the Netherlands, Norway, Qatar, Saudi Arabia, Switzerland and the United Kingdom) pledged more than $25 million in support. The contribution to the TTF has helped deliver $6.5 million annually in direct technical assistance and training to more than 40 recipient countries.