



INTERNATIONAL MONETARY FUND FACTSHEET

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

Money laundering and the financing of terrorism are financial crimes with economic effects. They can threaten the stability of a country's financial sector or its external stability more generally. Effective regimes to combat these threats are essential to protect the integrity of markets and of the global financial framework as they help prevent financial abuses. Action against money laundering and terrorist financing thus responds not only to a moral imperative but also to an economic need.

Money laundering is the processing of assets generated by criminal activity to obscure the link between the funds and their illegal origins. Terrorism financing raises money 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 for the integrity and stability of the financial sector and the broader economy. These 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 to them. 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 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, and in 2014 Fund staff participated in the first five mutual evaluations conducted under the revised standard and methodology (with Belgium, Norway, Spain, Australia and Malaysia). It also led the assessments of [Italy](#) and [Canada](#) and is currently conducting assessments of Mexico and Colombia. The Group of Seven and Group of 20 have supported these efforts, most recently 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 120 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 fund 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](#) on the inclusion of AML/CFT in surveillance and financial stability assessments (FSAs). Staff is required to discuss AML/CFT issues in the context of Article IV consultations 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—to finance capacity development [in AML/CFT](#) that complemented the IMF's existing financing accounts. The first phase ended in April 2014. Considering the success of the program and continuing high demand for capacity development in this area, a new five-year phase started in May 2014. Donors (France, Japan, Luxembourg, the Netherlands, Norway, Qatar, Saudi Arabia, Switzerland and the United Kingdom) have pledged more than \$25 million to support this new phase. The contribution to the Topical Trust Fund has helped deliver \$6.5 million annually in direct technical assistance and training to more than 40 countries.