

INTERNATIONAL MONETARY FUND

**Framework Administered Account for Selected Fund Activities:
Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)
Subaccount**

Prepared by the Legal and Finance Departments, and the Office of Technical Assistance
Management

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1. In March 2009, the Fund established a new Framework Administered Account to administer external financial resources for selected Fund activities (the “SFA Instrument”).¹ The financing of activities under the terms of the SFA Instrument is implemented through the establishment and operation of a subaccount within the SFA. The subaccount for Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Topical Trust Fund (“TTF”) would be the second one under the SFA. This paper requests Executive Board approval to establish the AML/CFT TTF subaccount (the “Subaccount”) under the terms of the SFA Instrument.
2. Management and Staff have engaged in discussions with donors to support the Fund’s program in capacity building, training and related activities, which is aimed at helping countries to strengthen their frameworks on AML/CFT. Robust AML/CFT controls are a necessary condition for countries’ integration into the global financial system, and improving worldwide compliance with AML/CFT standards benefits the entire international financial system. The trust fund would provide the opportunity to key stakeholders in the global AML/CFT effort to leverage the Fund’s proven technical expertise, while facilitating coordination among donors and TA providers.
3. On the basis of the above, the Managing Director has established essential terms and conditions of the Subaccount, with respect to the nature, design, and implementation of the activities to be financed and the method by which the costs of the activities will be financed from the Subaccount. These essential terms and conditions include the following:

¹ For the New Framework Administered Account for Selected Fund Activities, see <http://www.imf.org/external/np/pp/eng/2009/030409.pdf>

- a. The resources of the Subaccount shall consist of amounts contributed to the Subaccount by donors (“Contributors”), and earnings that accrue as a result of the investment of these amounts (net of any costs associated with such investments). The resources of the Subaccount will be used to finance capacity building, training and related activities, consistent with the purposes of the Fund for AML/CFT.
 - b. Each Contributor will consent to essential terms and conditions of the Subaccount before the Managing Director may accept the Contributor’s resources into the Subaccount.
 - c. Resources will be placed in the Subaccount by each Contributor after signature of a Letter of Understanding between the Contributor and the Fund. The subaccount will permit Contributors to transfer resources from any bilateral subaccount under the SFA into the AML/CFT subaccount.
 - d. Contributors may join the Subaccount at any time. A Contributor’s consent to the essential terms and conditions of the Subaccount will constitute the Contributor’s ex ante concurrence to any additional Contributor joining the Subaccount on the latter’s consent to the same essential terms and conditions.
 - e. A Contributor may withdraw from the Subaccount, and receive a retransfer of its net contributions, without precipitating the termination of the Subaccount.
 - f. To help defray the expenses incurred by the Fund in the management of the Subaccount that it will finance, reimbursement equal to 7 percent of the expenses financed from the Subaccount will be paid to the Fund from the Subaccount.
4. The essential terms and conditions of the Subaccount are consistent with the terms of the SFA Instrument, and the activities to be financed from the Subaccount are consistent with the purposes of the Fund. Accordingly, it proposed that the Executive Board approve the establishment of the Subaccount.