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Financial Investigations under FATF Standards: From Formal Compliance to Operational Effectiveness

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Abstract

Financial investigations have become an essential element of the systems of anti-money laundering and counter-terrorist financing in accordance with the FATF developed framework. Instead of being only an ancillary activity of collecting evidence, financial investigations today have taken up a place in the strategic structure of detection, disruption, prosecution, confiscation and international cooperation. The present study will review how financial investigations are perceived within FATF standards, what the logic behind financial investigations is, and what institutional conditions should be met for efficient conduct of financial investigations. As such, it is argued in the present paper that the FATF standards provide a significant departure from the previously dominant criminalization and reporting-based approach to a goal-oriented one, where tracking money flows, establishing the identity of the beneficial owner, locating assets and turning the financial information into the evidence have become an integral part of the enforcement strategy. On the other hand, it is claimed that the presence of legislative powers is not sufficient for the generation of the relevant results. The significance of the financial investigation process depends on the coordination between the competent authorities, access to financial and corporate information in time, collaboration with the financial intelligence unit, specialized training and the capacity to coordinate the domestic and international investigations. In terms of research methods, the paper employs a doctrinal and analytical approach and uses the FATF guidance on financial investigations published in 2012 while putting it in the context of the updated FATF Recommendations and later FATF guidance and risk material until 2025, specifically regarding the asset recovery, beneficial ownership, inter-agency cooperation, new technologies, proliferation financing and terrorist financing risks.

Keywords

Financial Investigations, FATF Standards, AML/CFT Effectiveness, Financial Intelligence, Asset Recovery

1. Introduction

The current battle against money laundering and terrorist financing is much more about identifying and analyzing the movement of proceeds of crime and terrorist activities, revealing hidden links between the perpetrators and illicit funds, and collecting financial information capable of being translated into judicial evidence than about the mere legalization of these phenomena. Such approach made financial investigations move from being a supplementary tool for criminal procedure to being one of the most important tools through which the anti-money laundering and counter-terrorist financing systems should work. FATF explicitly recognizes this aspect by calling financial investigations the key element of the operational and law enforcement aspects of its Recommendations and defining them as inquiries into financial affairs related to criminal activity aimed at establishing and documenting the flow of money in the course of such activity (FATF, 2012).

The development described above is part of a broader paradigm shift in regulatory thinking. While previously illicit finance was approached mostly through its legal prohibition and reporting of suspicious transactions, nowadays the developed FATF model requires not only the existence of relevant legislation and institutions but also the presence of certain operational outcomes. This aspect is highlighted by the current FATF standards which continue presenting Recommendations as the global AML/CFT framework and by the FATF methodology which distinguishes between technical compliance and effectiveness. In practice, this means that the quality of the national regime is assessed not only based on the existence of powers but also on the presence of efforts to use those powers to identify, investigate, prosecute, and deprive offenders of illegal assets (FATF, 2025a).

In such circumstances, financial investigations fulfill several connected functions. They help identify proceeds of crime and trace property, facilitate the use of provisional measures like freezing and seizures, and ultimately lead to the confiscation of the illicit assets. Moreover, financial investigations make it possible to reveal the bigger picture of the financial and economic structures behind the criminal activity, discover new predicate offenses, reveal accomplices and beneficiaries, and gain insight into the organizational structure of criminals. According to FATF guidelines issued in 2012, financial investigations should be the backbone of all major proceeds-generating cases and terrorist financing cases, not some kind of additional or secondary tool. It is also emphasized that financial intelligence should be moved "upstream and downstream" along the institutional chain so that it becomes purposeful rather than process-oriented (FATF, 2012).

The importance of the problem under discussion is evident from the academic literature on the matter. Thus, for example, Nance argues that FATF is the organizational hub of the global anti-money laundering regime that influences not only the legal aspects but also the overall governance expectations regarding the fight against financial crimes (Nance, 2018). At the same time, Levi and Reuter in the pioneering review make clear that money laundering control cannot be considered exclusively as a legal endeavor because of the challenges related to the tracing of funds, determination of the ownership, and connection of assets to the criminal activity in even the most advanced systems (Levi & Reuter, 2006). In the recent review of the money laundering literature Tiwari, Gepp, and Kumar stress the fragmentation of existing research and the need to connect the legal framework, institutions, and operational aspects which have yet to be done in many papers (Tiwari et al., 2020).

Considering this, the current paper deals with the problem of financial investigations based on FATF standards from both doctrinal and operational perspectives. In contrast to the discussion of just the availability of financial investigation powers, the current research intends to look at the issue from the standpoint of FATF approach to financial investigations as an enforcement tool, the reasons why they have become so important for the anti-money laundering/counter-financing of terrorism (AML/CFT) systems, and the issues that prevent effective implementation of financial investigations in practice. At the same time, the current study presupposes that regardless of the impressive legislation in some field, the area could be ineffective from the standpoint of operations because of the fragmentation of information flows, lack of coordination among institutions, unreliable information on beneficial ownership, or the inability of investigative agencies to pursue complicated financial trails.

Therefore, the research problem formulated in this paper can be stated as the gap between the formal compliance and operational effectiveness. As the FATF literature clearly shows, financial investigations demand more than mere powers. First, these are the entire architecture of the specialized investigators, access to documents and records, collaboration with financial intelligence units, conduct of the parallel investigations, application of the necessary techniques of investigation, and proper domestic and international coordination. In the case when any of the mentioned components is missing, the financial investigation process will turn out to be reactive, fragmented, and purely symbolic. Even in case of a good suspicious transaction reporting system, inappropriate mechanisms of analysis, dissemination, and following investigative action could prevent areas from transforming reporting into operational success (FATF, 2012).

Taking into account the identified problem, the central question that this article aims to answer is the following one: How do FATF standards shape financial investigations as the core operational tool in AML/CFT systems and what determines their real effectiveness? Based on the formulated question, the main argument of the current article can be expressed as follows: FATF standards have raised financial investigations to the level of the core enforcement mechanism within AML/CFT systems but their real value depends not on the mere formal adoption of the relevant powers but on their operational integration, interagency coordination, access to timely and accurate financial information, and the ability to turn intelligence into prosecutable evidence and recoverable assets. In other words, the critical issue is not the presence of financial investigations in the legislation but the embedding of them into the day-to-day practice of law enforcement, prosecution, intelligence sharing, and asset recovery.

Moreover, the current research has a more extended meaning. Financial investigations lie at the crossroads of criminal justice, financial regulation, international cooperation, privacy, and governance. That is why financial investigations can serve as a very helpful tool to understand the strengths and limitations of the FATF framework itself. In case FATF is perceived as a rule-making body, the focus will necessarily be placed on legal design and institutional establishment. However, in case FATF is seen as an effective operational framework, the financial investigations become one of the most important tests of its real efficiency. The ability to trace the money across jurisdictions, penetrate complicated legal structures, analyze FIU intelligence efficiently, and preserve due process in the process of disrupting illicit financial activity is where formal compliance is proven to be sufficient or insufficient. This is exactly the reason why financial investigations deserve special attention from the analytical side (FATF, 2012; FATF, 2025a; Nance, 2018).

2. Methodology and Scope

This article uses a doctrinal and analytical methodology. The starting point of the analysis is the FATF report Operational Issues: Financial Investigations Guidance, dated 2012. However, this guidance document is not treated here as an independent and static material. It is read in combination with FATF recommendations, guidance, and risk materials published till 2025, including updated Recommendations, guidance on counter-proliferation financing, new technologies, beneficial ownership, inter-agency asset recovery networks, terrorist financing risks, and asset recovery.

For the purposes of this article, operational effectiveness is used as an analytical criterion rather than as a separate empirical score. It refers to the capacity of an AML/CFT system to convert formal legal powers and institutional arrangements into practical investigative outcomes, including timely access to financial and beneficial ownership information, coordination between FIUs, law-enforcement authorities and prosecutors, early use of parallel investigations, preservation of assets, and the conversion of financial intelligence into prosecutable evidence and recoverable assets. These dimensions guide the analysis in the later sections of the article.

The particular importance of the 2012 guidance is explained by the fact that it does not treat financial investigations as a peripheral issue. On the contrary, it treats it as the core of AML/CFT enforcement process, linking it to investigative powers, institutional coordination, asset tracing, beneficial ownership information, role of FIUs, training, and international cooperation (FATF, 2012; FATF, 2018; FATF, 2021; FATF, 2023a; FATF, 2023b; FATF, 2023c; FATF, 2025a; FATF, 2025b; FATF, 2025c).

The doctrinal part of the methodology includes reading FATF guidance as part of the general normative structure of FATF Recommendations. The necessity arises from the fact that the 2012 guidance is not a legally binding document. According to FATF, Recommendations constitute the global AML/CFT standard. At the same time, FATF guidance documents serve primarily as interpretive and operational tools. Therefore, it is necessary to distinguish between normative expectations of FATF Recommendations and practical insights provided by the guidance. Such differentiation allows for avoiding overstating the legal value of FATF guidance while acknowledging its impact on national practice and evaluation process (FATF, 2012; FATF, 2025a).

The article therefore distinguishes three related but different layers of FATF material. FATF Recommendations are treated as the principal normative standards. The FATF mutual evaluation methodology is treated as the assessment tool through which technical compliance and effectiveness are evaluated. FATF guidance and typology materials are treated as non-binding operational explanations that illustrate how the standards may be implemented in practice. This distinction is maintained throughout the analysis to avoid blurring their different normative roles.

The analytical part of the methodology involves going beyond the description. The article does not limit itself to FATF materials summaries. Instead, it analyzes the assumptions underlying FATF approach and the practical demands that are created by these assumptions. For instance, FATF emphasis on parallel investigations is not just a procedural preference. It follows from the belief that criminal and financial conduct are often interconnected and their separation into different institutional silos may weaken the investigation. Similarly, FATF emphasis on the issue of beneficial ownership information has practical reasons. Namely, opaque corporate structure may impair the effect of investigative powers regardless of their scope. Thus, the analysis goes deep into the operational logic of FATF standards.

Besides FATF materials, the article employs a selection of academic literature. These materials are used to put FATF approach in the context of the wider academic debate and to account for developments after 2012. The later FATF materials are especially relevant for asset recovery, beneficial ownership transparency, inter-agency cooperation, new technologies, counter-proliferation financing, and evolving terrorist financing risks. Academic materials are used to elaborate the broader significance and limitations of FATF model. The materials of Nance help contextualize FATF in the debates of global governance. Levi and Reuter provide the wider criminological and regulatory perspective on money laundering control. Tiwari et al. discuss the recurring themes and research gaps in the literature on money laundering and enforcement. All these materials help to avoid reproduction of FATF institutional position and instead consider it critically (FATF, 2018;

FATF, 2021; FATF, 2023a; FATF, 2023b; FATF, 2023c; FATF, 2025a; FATF, 2025b; FATF, 2025c; Nance, 2018; Levi & Reuter, 2006; Tiwari et al., 2020).

The non-FATF literature was selected according to its direct relevance to the article's analytical problem. Nance is used to situate FATF within global governance debates; Levi and Reuter are used because they explain the practical limits of money laundering control and asset tracing; and Tiwari et al. are used because they identify recurring gaps in the academic literature on money laundering enforcement. These sources were therefore not selected as general background only, but because they provide an external academic perspective on FATF's institutional and operational claims.

The scope of the article is intentionally narrow. It discusses financial investigations in the FATF-centered AML/CFT framework. It does not provide a comparative analysis of national legal systems. It also does not offer an empirical assessment of any single jurisdiction. Instead, it aims to identify the main operational principles associated by FATF with effective financial investigations and analyze their institutional and evidentiary implications. For this reason, the article concentrates on investigative strategy, parallel investigations, multidisciplinary cooperation, financial intelligence, access to information, asset recovery, training, and international cooperation. These are the issues FATF considers crucial for effective financial investigations (FATF, 2012).

The article also recognizes some limitations. First of all, FATF documents are developed from the perspective of an institution and the policy-maker. They emphasize the best practices and operational ambitions, but do not necessarily reflect all the political, legal, and resource-related limitations of the process of implementation in specific jurisdictions. Secondly, FATF guidance is developed with the intention to be applied in various legal systems. Such generality is useful, but may not give sufficient attention to the local difficulties. Finally, since the article deals with financial investigations, it does not discuss all aspects of AML/CFT governance, such as preventive supervision, sanctions policy, or private sector compliance. They are considered only if these issues have a direct impact on financial investigative capacity.

However, the chosen methodology is sufficient for the purpose of the article. FATF guidance serves as a solid basis for doctrinal analysis. Updated Recommendations and selected academic materials allow a broader and critical evaluation. All these materials help to examine financial investigations not only as a technical issue but as a crucial indicator of FATF model's ability to take jurisdictions from formal compliance to operational effectiveness (FATF, 2012; FATF, 2025a).

3. Conceptual and Normative Foundations of Financial Investigations under FATF Standards

3.1. The Concept of Financial Investigation

According to FATF framework, a financial investigation is not a simple accounting operation. Neither is it just an evidentiary step in a criminal case. FATF defines it as an investigation of financial affairs related to criminal conduct, with the main goal of identifying and documenting the movement of money in relation to crime. This definition is important, since it shows financial investigation as an active process of reconstructing the financial conduct, and not just as a collection of bank records or transaction data. It covers the origin of funds, the beneficiaries, timing of transfers and locations where the funds are stored, transferred or deposited. In this sense, financial investigation converts financial conduct into legally meaningful evidence about criminal conduct, criminal organization, and criminal benefits (FATF, 2012).

This understanding of the concept is broader than the traditionally used evidentiary approach that focuses on proving a particular transaction or suspicious transfer. According to FATF's approach, the movement of money may tell about the structure of criminal conduct. The traces of financial conduct may show how the offenders organize their relationships, distribute the proceeds of crime, conceal control over them and preserve the economic value of criminal activity. That is why FATF associates financial investigation not only with proving money laundering or terrorist financing, but also with identification of criminal organizations, evaluation of the scale of criminal conduct, and search for assets which may become a target of confiscation. The core of financial investigation is therefore not the simple data collection, but the lawful and analytical reconstruction of illegal financial conduct (FATF, 2012).

Another important feature of FATF's conception of financial investigation is its operational character. As FATF explains in its 2012 guidance, during the process of revision of its standards, more attention was paid to the operational dimension of AML/CFT systems. One of the purposes of strengthening Recommendations 30 and 31 was improvement of the functions, responsibilities, powers, and tools of the law-enforcement authorities involved in money laundering, terrorist financing, and asset-tracing investigations. This is why FATF does not treat financial investigation as a good practice among others. On the contrary, it views it as the integral element of the law-enforcement logic of the AML/CFT system (FATF, 2012).

This operational emphasis is in line with the FATF Recommendations, which still consider themselves as the global AML/CFT standard. According to the Recommendations, countries are expected to implement an effective framework against money laundering, terrorist financing, and proliferation financing in addition to adopting the relevant laws. Within this broader normative framework, financial investigation is one of the clearest manifestations of implementation. It is the practical instrument which helps jurisdictions to convert the preventive reporting systems, registry information, intelligence products and legal powers into prosecutable cases and asset recovery (FATF, 2025a).

3.2. Financial Investigations as a Transition from Formal Compliance to Operational Effectiveness

The importance given to financial investigations reflects the wider trend in the development of regulatory approaches to AML/CFT. Earlier AML/CFT systems often had rather narrow scope and emphasized such components as customer due diligence, reporting obligations, criminalization, and establishment of formal institutions. These elements are still crucial, but FATF's current approach is much more ambitious. Besides having laws, agencies and reporting systems, a jurisdiction is now expected to achieve the practical results. According to FATF's methodology, the effectiveness is determined in relation to the achieved outcome, which means that AML/CFT systems should be evaluated not by their formal design, but by their actual performance (FATF, 2025a; FATF, 2025b).

Financial investigations are crucial to this effectiveness agenda. They determine whether a jurisdiction is capable to make the transition from detection to disruption. A reporting system may generate a large number of suspicious transaction reports, but it does not automatically mean the effectiveness. If the investigations cannot transform them into the intelligent information, assets which can be traced, proven links, and confiscation measures, then the system is active procedurally, but ineffective. This point of view is supported by the 2012 FATF guidance which connects financial investigations to risk assessment, prosecution, confiscation, and use of financial intelligence by regulators, supervisors, FIUs, law enforcement bodies and other competent authorities (FATF, 2012).

This also explains the importance given by FATF to statistics and record keeping. Recommendation 33 is not just an administrative requirement. It serves as the basis for assessment of what has been achieved through investigations, prosecutions, convictions, freezing, seizure and confiscation. Such data helps evaluators and policymakers to distinguish between formal capacity and actual performance. In practice, financial investigations are one of the areas, where this gap becomes especially evident. A country may criminalize money laundering and set up an FIU, but still not be able to recover assets, identify beneficial owners, or build up strong financial cases. FATF treats it not as a minor technical issue, but as a fundamental weakness of the national AML/CFT regime (FATF, 2012; FATF, 2025a; FATF, 2025b).

3.3. The Normative Position of the 2012 FATF Guidance

From the methodological perspective, it is important to differentiate between the legal and practical status of FATF's 2012 guidance on financial investigations. FATF makes it clear that the document in question is neither a standard nor an interpretive note. Its purpose is to help countries to understand the role of the law enforcement within the wider AML/CFT framework and to suggest practical ideas which might help to improve the effectiveness of financial investigations. This clarification is important, since it prevents the guidance from being treated as if it had the same normative weight as FATF Recommendations. The guidance is not the standard. It explains how it can be implemented in practice (FATF, 2012).

Still, the non-binding character of the guidance does not diminish its importance. Its value lies in the fact that it demonstrates the FATF understanding of the practical meaning of its Recommendations. It helps to bridge the gap between legal requirements and practical enforcement. It explains why some Recommendations are important, how they help law enforcement activities, and what kind of institutional arrangements are required to make them effective. This is why the guidance can be treated as the authoritative operational text within the FATF framework. Though it does not have the same legal weight as Recommendations, it is very helpful in understanding FATF's law-enforcement logic and evaluation expectations (FATF, 2012; FATF, 2025a).

The guidance is especially valuable because it puts financial investigations at the heart of Recommendations 30 and 31, at the same time linking them to other elements of FATF framework. Among these elements there are national coordination, statistics, criminalization, confiscation, cross-border cash controls, beneficial ownership and international cooperation. This demonstrates that FATF does not treat financial investigations as a separate topic. Instead, they serve as a connecting mechanism in the AML/CFT system. They depend on preventive disclosures, intelligence analysis, investigative powers, corporate transparency and cross-border cooperation. The broad concept of financial investigation is therefore accompanied by the broad normative role within FATF framework (FATF, 2012).

3.4. Core FATF Recommendations Relevant to Financial Investigations

At the doctrinal level, FATF identifies several Recommendations as the ones directly relevant to financial investigations. Recommendation 2 on the national cooperation and coordination expresses the idea that financial investigation requires institutional integration. According to FATF guidance, each country should maintain a national AML/CFT policy based on risks identified. Financial investigations may also contribute to this process by generating knowledge about criminal patterns, vulnerabilities and emerging risks. In this sense, financial investigation is the enforcement tool and source of strategic information. It helps individual cases and also contributes to the state's knowledge about illicit finances (FATF, 2012).

Recommendations 3 and 5 on the criminalization of money laundering and terrorist financing are also the necessary foundations. According to FATF, it is practically impossible to prosecute these offences effectively without a financial investigation carried out before. This point is important from the doctrinal perspective. It shows that the criminalization is necessary but not sufficient. A jurisdiction may criminalize money laundering and terrorist financing in its legislation, but these offences may be difficult to enforce if the authorities are unable to reconstruct financial conduct, obtain the relevant records, and establish links between the assets or transactions and criminal activity (FATF, 2012).

Recommendations 4 and 38, on the confiscation and provisional measures, are also very important. FATF links these standards to the identification, tracing and valuation of the property which may be subjected to confiscation. It also emphasizes the temporary measures, such as freezing and seizure, in order to prevent assets from being moved or disposed until the enforcement action is taken. This means that financial investigation is not just about proving the guilt. It is also about the preservation of the economic value of the enforcement process. According to FATF's approach, a criminal justice response that punishes offenders but leaves illicit assets uncovered is incomplete. Financial investigation, therefore, serves as the operational link between the criminal case and the asset recovery regime (FATF, 2012). This connection remains important in the later FATF asset recovery work, which treats asset recovery as the key field for improving implementation and results across jurisdictions (FATF, 2025b).

Recommendations 30 and 31 serve as the doctrinal core of FATF model of financial investigation. Recommendation 30 requires the countries to designate law-enforcement authorities responsible for the investigation of money laundering and terrorist financing. It also supports the proactive parallel investigations and use of domestic or international task forces and multidisciplinary teams. Recommendation 31 deals with access to necessary documents and information. It requires the powers to compel financial records, obtain evidence and apply a wide range of investigative techniques. FATF's 2012 guidance treats these two Recommendations as the institutional and coercive foundation of financial investigations. Without trained investigators, properly coordinated investigative structures and actual access to the records, financial investigation would remain largely theoretical (FATF, 2012).

Recommendation 32 on cross-border cash declarations, together with Recommendations 24 and 25 on the beneficial ownership and legal arrangements, expand the framework further. According to FATF guidance, cross-border cash declarations may provide valuable information for ongoing financial investigations and may help to establish the intent or knowledge. It also stresses the importance of adequate, accurate and timely information on the legal persons and trusts. This information is called as vital for financial investigations. This is important because it shows that FATF does not view financial investigation just as a matter of police powers. It also depends on the quality of information system around companies, trusts and asset ownership. If the ownership structures are opaque, registry information is inaccurate, or declarations are not available, the investigation may be hampered from the beginning (FATF, 2012).

Finally, Recommendation 40 on the international cooperation completes the framework. FATF expects the countries to develop mechanisms allowing the financial investigators to obtain and share information on behalf of foreign counterparts. It also encourages use of domestic powers to assist foreign investigations and informal information exchange before the formal mutual legal assistance is requested. This is especially important because the modern financial crimes are often transnational. Illicit assets, companies, payment chains, and professional facilitators may be located in several jurisdictions. Financial investigations may therefore be successful only if the domestic powers are supplemented with the effective cross-border cooperation. FATF standards place financial investigation in the model of international operational interdependence, not just national enforcement (FATF, 2012; United Nations, 2000).

3.5. Proliferation Financing and Targeted Financial Sanctions

Although this article focuses mainly on financial investigations in AML/CFT systems, proliferation financing is relevant where it illustrates the same investigative logic under targeted financial sanctions. In CPF matters, financial investigation usually focuses on identifying designated persons and entities, detecting evasion through front companies, trade channels, shipping documentation, dual-use goods and beneficial ownership opacity, and preserving or interrupting assets before they reach prohibited users. This confirms that the FATF model of financial investigation extends beyond traditional laundering cases to the preventive disruption of high-risk financial flows.

3.6. Financial Investigation and Broader International Criminal Law

FATF is the leading normative framework reviewed in this article. However, its approach has a connection to broader international criminal law. As noted in the 2012 guidance, a solid legal framework is necessary for efficient use of operational requirements. The guidance also mentions certain elements of the Palermo Convention which are relevant to the law-enforcement powers and techniques mentioned in the guidance (FATF, 2012). Such a connection is critical since it situates FATF's operational approach within the broader legal framework dealing with transnational organized crime, cooperation, investigative powers, and confiscation (FATF, 2012).

UNTOC is intended to promote cooperation for effective prevention and combating transnational organized crime. Such an aim corresponds to FATF focus on coordinated investigations and cross-border exchange of information along with the techniques aimed to address complex criminal structures. Therefore, FATF and UNTOC do not duplicate each other. Instead, the two frameworks complement each other with the former focusing on the development of the AML/CFT enforcement dimension, and the latter providing a broader treaty-based framework of cooperation, criminalization, and procedural measures in transnational cases (United Nations, 2000).

Such a broader legal connection is also valuable from the conceptual perspective. FATF's approach to financial investigations cannot be viewed as merely technical or administrative. It is a component of broader international legal efforts aimed at making organized and financially motivated crimes less profitable, more visible, and easier to disrupt. Apart from the formal requirements, the normative value of the approach includes its operational approach, which is based on such measures as follow the money, identify the real controllers, preserve the assets, make good use of intelligence and cooperate (FATF, 2012; FATF, 2025a; FATF, 2025b; United Nations, 2000).

4. Institutional and Operational Framework of Financial Investigations

4.1. Financial Investigation as an Integral Part of National Enforcement Strategy

A key principle of FATF's approach is that financial investigation should be seen as not just occasionally used technique but an integral part of the national enforcement strategy. The 2012 FATF guidance mentions that financial investigation should be an integral element of the overall strategy. Moreover, the countries are called to develop a comprehensive policy giving sufficient attention to the role of financial investigation in the context of law-enforcement activities. Such an approach is important from the institutional perspective since it means that the financial investigation should not be left to the initiative of individual investigators or the severity of particular cases. It should be developed through policy, resourcing, coordinating mechanisms, and organizational expectations which make its use routine in proceeds-generating crime and terrorist financing cases (FATF, 2012).

The operational implications of such an approach are significant. If the financial investigation is embedded in the national enforcement strategy, then the country should not limit itself by criminalizing money laundering or creating some special positions in the law-enforcing bodies. Instead, it should provide proper planning, case selection, resourcing, investigative protocols, and performance assessment for financial investigation. FATF guidance mentions several elements of such an approach, including high-level political support, strategic planning groups, needs assessment, adequate resourcing, specialized investigative units, and institutional goals supported by accountability mechanisms (FATF, 2012).

Such an emphasis is consistent with the broader FATF methodology. FATF does not assess only institutional powers but the degree of practical achievements in terms of coordinated and risk-based actions. The national AML/CFT system cannot claim its effectiveness if financial investigators are under-resourced, poorly integrated with mainstream law-enforcing agencies, or lack timely access to financial intelligence and coercive powers. From this perspective, financial investigations provide an important practical measure which reveals whether the national AML/CFT policy is just declarations or a real implementation (FATF, 2025a; FATF, 2025b).

4.2. The Logic and Value of Parallel Investigations

One of the key aspects of FATF's operational framework is the emphasis on parallel investigations. When it comes to the financial investigation, it means that predicate offense and money laundering offense should be investigated together.

In cases related to terrorism, the terrorist activity and related financing should be investigated in parallel. Such an approach is not just procedural measure but reflection of the fact that criminal and financial activity are often closely related. Therefore, if they are investigated separately, the authorities may lose evidence, fail to identify important links, or even miss the opportunity to preserve the assets in time (FATF, 2012).

Parallel investigations provide a number of practical advantages. They help to identify criminal proceeds while the investigation is still ongoing which allows freezing or seizing assets before they get lost or re-introduced into the legal economy. Moreover, the financial investigation allows identifying motives, associates, suspects, witnesses, and patterns of movements. Financial records may contain important evidence about communication, travel, service use, or logistical arrangements which may remain undetected through the traditional investigation (FATF, 2012).

Parallel investigations also have strategic value. According to FATF, the laundering is often natural step of the proceeds-generating crime since offenders tend to keep, move, store, or use the results of their activities. Once such understanding is accepted, financial investigation cannot be considered a separate inquiry but the technique which reveals the whole criminal enterprise. By tracing financial flow, competent authorities may identify senior individuals, intermediaries, facilitators, and connected legal entities which were not detectable through the predicate-of-fense investigation. Thus, the parallel investigation expands the depth and reach of the enforcement, taking the case beyond the specific offense towards the entire network (FATF, 2012).

Such an approach has clear institutional implications—authorities should not wait until the predicate investigation is completed to start looking into the financial aspect. Such a delayed financial investigation will increase risks of asset dissipation, evidentiary losses, and missed opportunities for disruption. Thus, FATF treats the parallel investigation as proactive norm, not as discretionary measure. Such approach reinforces the arguments of this paper—effectiveness of the process is not only about having the tools but about early and coordinated use of those tools.

4.3. Specialized Units and Need for Professional Financial Investigators

As FATF frequently notes, there is a need for the number of professional financial investigators to be sufficient. This is due to the fact that financial investigations are different from the ordinary criminal investigations and require special competencies. Investigators have to be familiar with financial records, transaction patterns, business structures, concealment practices, and evidentiary value of direct and indirect financial indicators. Additionally, they should understand the legal framework related to money laundering, terrorist financing, confiscation, and co-operation with foreign countries (FATF, 2012).

Moreover, FATF recommends establishing specialized units for financial investigations. The establishment of the specialized units is necessary to ensure stable expertise, improve analysis consistency, and implement procedures that are typical for the financial investigation. In the complex cases of financial crimes, there is no way of obtaining the required expertise ad hoc. There is a need for the expertise to be developed and maintained in the institutions that are capable to deal with numerous records, cooperate with FIUs and prosecutors, and act promptly when the need to trace and restrain the assets arises. Also, the specialized units will help to professionalize the financial investigation (FATF, 2012).

However, FATF does not claim that financial knowledge is to be confined only to the specialists. According to FATF, it is important that all the criminal investigators understand the evidentiary value of the financial indicators. It is an important institutional issue because even if all the formal aspects of a good system of financial investigation exist, it may fail because of the inability of frontline investigators to recognize the financial leads and the related records and ask for the FIU assistance. Thus, effective system requires both specialization and financial awareness (FATF, 2012).

4.4. Multidisciplinary Groups and Inter-Agency Cooperation

There is an emphasis in FATF on multidisciplinary teams and task forces in complex cases of financial crimes. Such teams consist of financial investigators, analysts, forensic accountants, specialists in digital forensics, prosecutors, asset managers, and experts from the tax authorities, regulatory agencies, FIUs, audit organizations, custom service, and other specialized agencies. The logic of it is quite obvious: financial investigations often imply several types of data, legal issues, and technical knowledge, which cannot be dealt with by only one agency. Complex financial crime is multidisciplinary and thus the reaction should be multidisciplinary as well (FATF, 2012).

One of the values of such teams is that they not only bring the necessary expertise together but reduce the risk of fragmentation as well. FATF states that complex financial investigations are often compromised due to the inability to link the information and intelligence. It is especially important because there may be a formal structure for financial investigation but it is ineffective due to the fragmented nature of the information held by different agencies, databases, and departments. Without the structured cooperation, valuable information may remain unused. Therefore, FATF encourages using of the information-sharing systems, cooperative procedures, conflict resolution mechanisms, and, when it is appropriate, written agreements such as memorandum of understanding (FATF, 2012).

In this context, it is worth noting that this section of FATF's framework is very tightly connected with the concept of institutional maturity. Institutional maturity does not imply just creation of additional agencies but effective organization of them. Financial investigations are particularly susceptible to the institutional friction because they involve the cooperation of the law enforcement agencies, prosecuting authorities, intelligence organizations, financial regulation, customs service, tax authorities, registries, and other agencies. Working in isolation, they make the investigations slower and make financial traces vanish. However, cooperating effectively, the system is able to move faster from suspicion to analysis and from analysis to evidentiary actions. Therefore, the encouragement of task forces by FATF is not only administrative issue. It is structural response to the complexity of illicit finance.

4.5. The Role of FIUs and Law Enforcement Agencies in the Operational Framework

Although the FIUs are considered in more details in the next part of the article, it is important to acknowledge their role here because it is central to the institutional framework of financial investigations. According to FATF, FIUs, intelligence divisions, and other authorities that are in charge of financial investigation may start it or strengthen the existing investigation. Produced information and analysis are supposed to be used proactively. Law enforcement agencies are supposed to request the necessary information from the FIU, while FIUs should have a possibility to proactively disseminate intelligence. The ideal model of relationship, according to FATF, is the cooperation of the FIU and investigative authorities as "virtual team" in the appropriate cases (FATF, 2012).

This formulation allows concluding that there is a certain aspect of FATF's model that deserves attention. The institutional framework of FATF is not linear. It is not limited to the transmission of the information from the reporting entity to the FIU and the further transmission of the relevant material from FIU to the law enforcement. Instead, FATF imagines a more complex mechanism, in which the needs of the intelligence, feedback, requests, dissemination, and priorities of operation move between the agencies. This reflects the general change from formal compliance to the operational efficiency. A country may have a formally established FIU, but the system is inefficient if the cooperation between the FIU and investigators is slow, inadequate, or hampered by the procedural barriers. The efficient system establishes the channels for the rapid transformation of financial intelligence into the investigative leads (FATF, 2012).

4.6. Public-Private Cooperation as the Part of the Operational Capacity

FATF's framework of operations takes into consideration the cooperation of the public and private actors in financial investigations. The cooperation goes far beyond the simple reporting obligations. Private sector possesses the majority of data that is necessary for the financial investigations and often has technical knowledge about this data. In some cases, financial institutions and other reporting entities are in a better position than the law enforcement authorities for the identification of the suspicious patterns of activities. They do not submit the information to the AML/CFT system. They are part of the information environment in which financial investigations take place (FATF, 2012).

It does not mean that the private entities are going to investigate crimes themselves and the legal limits will be removed. FATF connects the cooperation of public and private sectors with the legal limitations, privacy protection, and proper information safeguards. However, the fact that FATF acknowledges the necessity of this kind of cooperation is important because it demonstrates that the effective financial investigations depend not only on the obligatory reporting, but also on the quality of interactions between the public and private sector. If the trust and legal channels of communication are poor, useful financial data may remain unused and misunderstood. If there is a structured and safe cooperation, investigators would be able to better understand the transactions, behavior of accounts, and the structures of the companies.

4.7. Training, Resources, and Institutional Continuity

There is no operational framework that could function without the sustained training and resources. FATF considers the training to be the necessary element of routine and effective financial investigations. It emphasizes the standard education, entry-level training, specialized training of selected officers, and professional development throughout the investigator's career. The long-term approach is important because financial investigations change in accordance with the changes in financial systems, technology, and criminal methods. One-time training is insufficient here. The effective capacity requires the institutional continuity, professional development, and motivation to specialize (FATF, 2012).

There is an equal need for the resources. FATF recommends conducting the needs assessment and allocating the appropriate amount of the resources for financial investigations. Moreover, FATF mentions the arrangements according to which agencies responsible for asset recovery are able to cover the costs of financial investigation. These recommendations are based on the practical reality that financial investigations are costly. They require the use of the forensics, international cooperation, document translation, expert services, processing of the digital evidence, and asset tracing. Jurisdictions that undervalue these functions may formally comply with the requirements but lack the practical capacity to investigate complex cases (FATF, 2012).

4.8. Operational Framework as the Main Factor of Effectiveness

To reduce repetition, the following analysis treats parallel investigations, FIU cooperation and asset recovery as connected stages of the same operational chain. Parallel investigation generates financial leads; FIU cooperation refines and disseminates those leads; and asset recovery converts the results into measurable enforcement outcomes. Later sections therefore add new angles to this chain rather than restating the same institutional claim.

In summary, it is possible to say that FATF's approach to the institutional and operational framework of the financial investigation reflects certain enforcement philosophy. Financial investigations are effective when they are routine and not exceptional, integrated and not isolated, multidisciplinary and not siloed, intelligence-led and not only reactive, and properly resourced and not only authorized. FATF does not consider these factors to be improvements that are desirable but optional. On the contrary, it presents them as the conditions that are essential for the real performance. That is why the framework deserves as much attention as criminalization and investigative powers (FATF, 2012; FATF, 2025a; FATF, 2025b).

5. Sources of Information and Financial Intelligence in Financial Investigations

5.1. Information as the Basis for Financial Investigation

Financial investigations are essentially information-driven. As opposed to certain conventional criminal investigations, which can begin with a particular incident, a statement from the victim, or physical evidence, financial investigations build up through the accumulation and analysis of information in the form of records, disclosures, institutional data, intelligence, and fragments. Alone, such data may have little evidentiary value, but becomes significant when considered in the overall context of the investigation. Indeed, FATF guidelines make it clear that financial investigators make hypotheses and come to conclusions basing on their analyses of available information. The hypotheses made lead to the identification of necessary information. This means that financial investigation is not just a single evidence gathering action, but rather a structured analytical process of information identification, location, acquisition, and interpretation (FATF, 2012).

FATF also makes it clear that financial investigations involve traditional techniques of investigations along with those of accounting and auditing. The information investigated by the investigator can include interviews, search results, digital evidence, business records, financial documents, banking records, and tax data. Thus, information base is broad and diverse. It involves testimonies, documents, digital data, institutional data, and open-source data. The problem of such investigation is not just the access to the data, but rather an ability to identify what information is needed, where it can be located, legally acquire it, and analyze it (FATF, 2012).

This focus on information explains the sensitivity of financial investigations to delays, fragmentations, and poor coordination. Financial investigations can be quite sensitive to time, as funds can move quickly, records might be located in a variety of agencies or jurisdictions, beneficial ownership can be hidden behind the complicated legal structure. Thus, the jurisdiction might have sufficient legal power, but it still might have problems in terms of information reliability or speed. FATF's approach demonstrates that the quality of financial investigations is extremely dependent on information management within the state. This supports the general idea of the article that operational effectiveness is inseparable from information management.

5.2. FATF's Classification of Information Sources

One of the valuable aspects of FATF 2012 guidelines is its classification of major information sources for financial investigation performed by law enforcement and competent authorities. FATF distinguishes six major types of information sources: criminal records and intelligence, AML/CFT disclosures, financial information, classified information, open-source information, and regulatory information. This classification is analytically important as it demonstrates that financial investigations are not limited to the information coming from the banks or suspicious transaction reports. On the contrary, they are built upon multilayered information environment, where each type of information serves different investigation purposes (FATF, 2012).

First one of the major types of information sources includes criminal records and intelligence. This type of information includes previous arrests, indictments, convictions, surveillance data, informant information, interviews, field intelligence, and other law enforcement data concerning the subject or criminal activity. This information type plays a critical role in the investigation as it gives insight into the background of the financial conduct of the investigated person. A money transfer could seem neutral in isolation but becomes significant once it is connected to a particular person's associates, current investigations, and observed behavior. FATF's classification of this information type is very important as it demonstrates that financial investigation is not limited to the financial aspects. It involves financial conduct in context (FATF, 2012).

The second type of information sources is the AML/CFT disclosures. They include suspicious transaction reports and other reports provided by banks, according to national AML/CFT legislation, namely cash transaction reports, wire transfer reports, threshold declarations, and other reports. Such reports have a special status in the FATF model as they are generated through preventive systems, but are intended for further intelligence and enforcement. They give the first signals that a certain transaction pattern, customer profile, or transfer chain requires further investigation. Nevertheless, the value of such information is dependent on analysis and combination with other information types (FATF, 2012).

The third type of information sources is the financial information. It goes beyond the scope of the AML/CFT disclosures and involves information about the financial affairs of relevant persons or entities, namely bank accounts, financial accounts, personal and business transaction data, and information obtained during the customer due diligence. The importance of this information type comes from the fact that the disclosures demonstrate suspicions but the financial information is necessary to reconstruct the underlying conduct. Using the account activity, transaction history, counterparties, account opening documentation, and other information, the investigators can trace assets, establish control, evaluate explanations and find hidden relations (FATF, 2012).

The fourth type of information sources is the classified information. It is mostly connected to the matters of national security and includes terrorist financing. The presence of such type of information in the FATF guidelines is a demonstration that financial investigations can overlap with intelligence activities and may require special treatment, additional legal protection, and inter-agency coordination. Some information may be evidentiary in terms of prosecution, but confidential in terms of security agencies. Therefore, there is a practical need for coordination between the prosecutors and intelligence agencies in the cases involving terrorism or other national security threats (FATF, 2012).

The fifth information source is the open-source information. It includes Internet sources, social media, printed and electronic media, public or private registries. While this information source may be underestimated in legal analysis, it can be extremely helpful. Using the open-source information, investigators can map public associations, lifestyle indicators, compare declared activities with the real activities, locate businesses or properties, and link individuals to entities or locations. In the cases of complex financial investigations, the open-source information usually plays a key role in orienting the investigation before any formal or coercive actions (FATF, 2012).

The sixth information source is the regulatory information. It includes information kept by the central banks, tax agencies, customs organizations, supervisory agencies, revenue agencies, and other regulators. Using such information, the investigators can see declared incomes, licensing history, customs declarations, compliance patterns, supervisory concerns, or discrepancies between the legal representation and economic activity. The presence of the regulatory information in the FATF guidelines proves that financial investigations are institutionally broad. The success of such investigations depends on the ability to operate in multiple domains of administration, intelligence, and criminal, and respect legality, confidentiality, and due process (FATF, 2012).

5.3. Special Role of Financial Intelligence Units

In this information environment, Financial Intelligence Units occupy a special place. FATF guidelines show that the FIUs, along with intelligence divisions and other competent authorities, can initiate or enhance financial investigations. One of the most important roles of FIU is the analysis of received information and dissemination of its results. Hence, FIU is not just an organization, storing suspicious reports. It is an analytical organization, which transforms the raw disclosures into intelligence products to assist law-enforcement and other competent authorities to detect money laundering and terrorist financing activities (FATF, 2012).

FATF also emphasizes that successful financial investigations rely on extensive usage of FIU information and exchange between FIUs and investigative authorities. The investigator should be able to request the relevant information stored in the FIU, while FIU should be able to fulfill such request and disseminate the intelligence on its own initiative, where appropriate. This cooperation is the heart of the FATF model. This demonstrates that the success of financial investigation is not just in the presence of the FIU but rather in its accessibility, analytical capabilities, and integration into operational practice (FATF, 2012).

The definition of the relationship between the FIU and law enforcement as the virtual team provided by FATF is also quite revealing in this respect. It indicates that FATF opposes the strict division into information silos. Rather, it requires a structured cooperation based on the common intelligence needs, feedback, contact points, and efficient communication channels. Memorandums of understanding, standard operating procedures, electronic request forms, and software systems compatible may help in this respect. These are not just organizational issues. They are, however, quite likely to be the key factors in delivering the financial intelligence to the investigators in order to develop the case, preserve the dissipation of assets, and maintain evidence (FATF, 2012).

5.4. Suspicious Transaction Reports and Evidentiary Value

Suspicious transaction reports are among the AML/CFT disclosures that gain a special significance. According to FATF, the information contained in suspicious transaction reports is valuable for financial investigation only in conjunction with other information and the analysis performed by the FIU. FATF also admits that there are differences in the evidentiary status of suspicious transaction reports in different jurisdictions. In certain countries the information contained in the suspicious transaction reports is used mostly for the purpose of intelligence, and cannot serve as evidence, while in others, the parts of such reports may be admitted as evidence. The point is crucial since the value of the suspicious transaction reports does not lie only in their evidentiary nature. They contain information generating leads, detecting patterns, and providing clues for further information gathering (FATF, 2012).

National evidentiary rules directly affect how FIU products and suspicious transaction reports move from intelligence to proof. In some jurisdictions, STRs and FIU analysis are protected intelligence leads and cannot be placed directly before the court; investigators must obtain primary bank records, witness evidence, registry extracts or production orders to convert the lead into admissible evidence. In other jurisdictions, parts of FIU analysis may be used in proceedings subject to legal safeguards. This difference affects operational effectiveness because the same intelligence product may generate rapid disruption in one system but require further evidentiary conversion in another.

Thus, FATF approach suggests that suspicious transaction reports should be treated in a contextual way. A suspicious transaction report raises suspicions but does not prove anything by itself. Nevertheless, in conjunction with criminal intelligence, tax information, account information, beneficial ownership information, prior disclosure, or registry information, it reveals connections between individuals, entities, and financial resources that were hidden at first. From this viewpoint, FATF emphasizes the fact that the value of the information contained in suspicious transaction reports is achieved through the process of its combination with other information. Suspicious transaction reports are thus the point of beginning of the financial investigation and not the point of its end (FATF, 2012).

The guidance reveals the problem of prioritization. Certain jurisdictions get suspicious transaction reports in large numbers each month and not all of them can be equally efficiently investigated. Such situation demands for the implementation of criteria-based analysis, training of the support staff, and close cooperation of FIUs and law enforcement agencies in order to prioritize the suspicious transaction reports in accordance with national priorities and certain cases. This point shows the concern of FATF with efficiency.

The high volume of reports without analysis and follow-up can seem active on paper but fail to be really active.

5.5. Cross-Border Currency Declarations and Transaction Visibility

In 2012 FATF guidance pays great attention to information derived from cross-border declarations of currency and bearer negotiable instruments according to Recommendation 32. Such declarations and disclosures are very helpful during financial investigations since they may help to determine frequent travelers, connections between individuals, patterns of travel, and any information relevant to the ongoing investigation. The knowledge that a person or his/her associates have made cross-border declarations previously may help to prove the criminal intent, knowledge of illegal activities, and their international character. Thus, cross-border declaration systems are not only the instruments for controlling borders but also important sources of information for financial investigations (FATF, 2012).

Cross-border declarations are valuable partially due to their historical nature since they may contain information about the financial actions taken before the investigator became aware of some individual or criminal network. Furthermore, cross-border declarations both truthful and false may contain valuable information. False declaration indicates that the traveler tried to conceal something, while truthful declaration may provide valuable information about the pattern of financial operations that becomes meaningful when connected to other facts. This point demonstrates FATF's methodology of financial investigation since, in this process, information gets its meaning not by itself but thanks to its connection with other documents and records (FATF, 2012).

5.6. Beneficial Ownership, Registries, and Structural Transparency

Discussion of sources of information in financial investigations cannot ignore beneficial ownership and registry information. FATF's guidance says that adequate, accurate, and timely information on beneficial ownership and control of legal persons and on express trusts is critical for financial investigations. This statement is quite strong and deliberately formulated to demonstrate that beneficial ownership is not only an issue of corporate governance and compliance. Instead, it is an integral part of the process of financial investigation. Without adequate beneficial ownership information, it becomes difficult for an investigator to find out who owns the asset, controls the operation, and profits from criminal activities (FATF, 2012).

Thus, FATF recommends the creation of publicly available registries such as company registries, land registries, or non-profit organization registries. They are supposed to be centralized, electronic, searchable, and timely updated. Additionally, FATF suggests that the basic information on legal entities should be easily verifiable and comprehensible, while company registries should move from passive information collecting tool to active participant of AML/CFT process. Analytically this position is quite significant because it shows that FATF considers information quality as the condition of effectiveness of financial investigation. If registry information is incorrect, outdated, and untimely, even effective investigative powers may become ineffective from the beginning (FATF, 2012).

This issue became even more significant in subsequent FATF recommendations. According to the more recent FATF guidance on the beneficial ownership of legal persons, it is necessary to ensure access to adequate, accurate, and timely information on beneficial ownership. FATF also stresses the importance of prevention of misuse of legal persons for any illicit purposes. Thus, this continuity proves that structural transparency remains one of the key information conditions for effective financial investigation (FATF, 2023a).

5.7. Information Integration, Legality, and Management of Sensitive Information

Despite its support of broad access to information, FATF acknowledges legal sensitiveness of this issue. According to the FATF guidance, law enforcement authorities should have access to the widest possible variety of financial, administrative, and law enforcement information including the one that comes from public sources or is collected by other authorities or commercial entities. At the same time, FATF stresses that access to sensitive personal data requires special training and compliance with data protection regulations. This balance is essential because FATF does not consider effectiveness and legality as the opposite goals. Thus, the FATF's model presupposes wide access to information but only to the lawful collected and managed (FATF, 2012).

FATF also emphasizes that all evidence should be legally obtained. Otherwise, the unlawful evidence may undermine the process of prosecution or confiscation. Thus, the investigator should understand the issues of privilege, human rights, confidentiality, and the rules concerning information collected from FIUs or foreign partners. Moreover, it is worth mentioning that the integrity of financial investigation is not just an issue of proper analysis but an issue of proper handling of information as well. Even the most valuable information can be lost because of poor handling of information.

Also, FATF points out the importance of multidisciplinary teams and centralized databases in connecting information that could have been separated for various reasons. It shows another feature of information model introduced by FATF: information acquires value only when it can be connected. The information from such sources as criminal intelligence, registry information, tax information, suspicious transaction reports, and account information might appear to be limited when considered separately, but when it is combined, it can give a clear picture of criminal activity. In other words, financial investigation is not just an act of getting more information but the creation of system which provides information interaction (FATF, 2012).

5.8. Information Quality as the Condition of Investigation Success

As was mentioned above, the information-based approach allows making a general conclusion. According to the FATF model, the success of financial investigation relies primarily on the quality, accessibility, integration, and proper use of information. The main issue is not whether the jurisdiction gets and keeps the information but whether it can find the appropriate source, collect the information, analyze and integrate it and transform it into evidence or action. It explains why FATF considers financial investigation in connection with FIUs, registries, declarations, supervisory information, intelligence exchange and data management (FATF, 2012; FATF, 2023a; FATF, 2025a).

6. Investigative Techniques and Evidentiary Development

6.1. Investigative Techniques as the Bridge between Suspicion and Proof

In the FATF context, financial investigations are practical inquiries rather than abstract analytical exercises. Such inquiries need to move from the level of mere suspicion to evidence through the appropriate use of investigative powers and techniques. For this reason, FATF's 2012 guidance puts strong emphasis on investigative techniques and connects them with Recommendation 31. According to the mentioned recommendation, competent authorities need to have access to necessary documents and apply a wide range of investigative techniques. It is a key point, as financial crimes do not usually become evident based on voluntary disclosure. Relevant records can be hidden, assets can be layered via several companies, digital footprint can be scattered, illicit transactions can be mixed with legal ones. Therefore, investigative techniques are means of making the hidden financial conduct evident, traceable, and usable as proof (FATF, 2012).

The point is crucial as financial investigations can be sometimes viewed as passive exercises involving a large number of documents. FATF disagrees with such an interpretation. The guidance sees financial inquiry as an active exercise supported by surveillance, compulsory production of records, searches, interviews, digital forensic examination, undercover operations, interception of communications, and controlled delivery. All of these techniques do not only produce relevant information. They help competent authorities to reconstruct the economic logic behind the criminal conduct. In many cases, the predicate offense appears to be rather limited and episodic. Meanwhile, financial records prove planning, continuity, association, and benefit (FATF, 2012).

6.2. Physical Surveillance and the Observation of Financial Behavior

According to FATF, physical surveillance is a technique which can be used to gather background intelligence about individual, business, habits, and connections. Although surveillance is traditionally seen as a police method, it can have a useful role in financial investigations. This technique can be applied to identify the places where records are stored, to detect the movements of cash, to identify contacts with intermediaries or gatekeepers, to confirm facts which can be found in the financial records. In case if the documents indicate some suspicious transaction or a series of withdrawals, surveillance can help to identify the person who controls the account, who actually receives the money, and how the money is handled (FATF, 2012).

The advantage of this technique lies in the ability to connect financial records with the conduct of the target. Some transaction record may indicate that money was transferred. But it may not reveal the reasons behind the transfer or its actual beneficiary. With the help of surveillance, investigators can see where the target goes, whom they meet, what the target does and which premises or assets are of any practical importance. In this sense, the technique is not only observational. It is a way of corroboration that transforms the isolated pieces of data into the coherent evidentiary pattern. Surveillance can also reveal additional targets, locations, or connections which were not previously known from the documentary evidence (FATF, 2012).

6.3. Searches, Compulsory Measures, and the Production of Records

Compulsory measures are among the most essential tools in financial investigations. In this case, FATF mentions the search warrants and other similar measures which allow the investigators to get the documentary, digital and physical evidence of the criminal activity. The guidance underlines that these powers need to be applied in a timely manner. Otherwise, suspects will have a chance to destroy the records, delete the digital evidence, and to move the assets beyond the reach of investigators. This issue is very important in financial cases as the records in question can be temporary, the digital evidence can be altered quickly, and the transaction structure can be changed once suspects become aware of an investigation (FATF, 2012).

The importance of compulsory measures goes far beyond bank statements. Financial investigations can involve various documents, including the documents related to account opening, customer due diligence, contracts, invoices, correspondence, internal business documents, tax documents, customs documents, trust agreements, digital storage devices, etc. FATF is quite explicit in its position—competent authorities must have the right to obtain such material legally and effectively. Otherwise, financial investigations may be based on incomplete intelligence or voluntary cooperation, which may be withheld by the suspects or associated persons. Therefore, Recommendation 31 is very important in FATF's model as it provides the legal grounds for evidentiary development (FATF, 2012; FATF, 2025a).

At the same time, FATF stresses the issue of procedural integrity. Searches and seizures need to be planned carefully and conducted in compliance with domestic laws, policies, and procedures. Proper evidentiary handling, including the preservation of the chain of custody, is crucial for protecting the integrity of the material which will be used in the court. This issue is especially relevant for financial investigations as complex cases need a huge amount of the connected documents. Any weakness in evidentiary handling can harm the prosecution and/or confiscation (FATF, 2012).

6.4. Digital Evidence and Forensic Examination

Financial investigations are closely connected with the digital evidence. In this context, FATF stresses the importance of seizing and forensic examination of the computers and digital evidence when compulsory measures are taken. This is especially true for financial crime as most of financial transactions nowadays are conducted through the digital systems. The banking instructions, accounting software, cloud records, customer database, compliance documents, cryptocurrency traces, internal correspondence, and transaction records may exist in the electronic form only. Thus, a financial investigation which ignores the digital evidence risks to miss important elements of the case (FATF, 2012).

Moreover, FATF emphasizes the importance of using this type of evidence by the trained personnel. In case if the investigator comes across the computer or some digital evidence, he or she needs to assess its evidentiary value and, where necessary, to turn to the assistance of forensic specialists. Incompetent handling can alter, damage, or destroy the relevant information completely. In this context, the original digital evidence needs to be preserved properly and examined by the qualified experts. The point is the reflection of the general principle—in financial investigations, the technical competence is not only helpful but absolutely necessary (FATF, 2012).

6.5. Interviews and the Evidentiary Role of Testimony

In this chapter, FATF mentions interviews among the main investigative techniques that competent authorities can apply. From one side, this point seems to be self-explanatory. But, in fact, interviews are a very important technique of financial investigations. Financial investigations usually rely on the documents, but documents rarely explain themselves. Thus, interviews can shed light on the business connections, account authority, purpose of the transactions, beneficial ownership structure, company practices, and meaning of specific documents or communications. Statements from suspects, witnesses, employees, intermediaries, and associates can help to create the evidentiary narrative from the complex financial material (FATF, 2012).

From another side, FATF recommends the investigators to try to get the voluntary statements when possible while acknowledging that in some jurisdictions and circumstances, testimony can be compelled. At the same time, FATF recommends the investigators to consider whether it is appropriate to seek cooperation at the certain stage of investigation. This warning is very important. Interview can alert suspects, cause the movement of assets, and give the conspirators a chance to coordinate their story. In financial investigations, the timing can be as important as the content. For this reason, FATF treats interviews as valuable but strategically sensitive technique (FATF, 2012).

6.6. Controlled Delivery and the Tracking of Contraband or Value

Another technique covered by the FATF guidance is the controlled delivery. This method involves the allowance of contraband, currency, or monetary instrument to be moved under the supervision of law enforcement authorities. FATF mentions that controlled delivery can help to identify, arrest, and convict offenders. It can also expand the scope of the investigation, to identify high-level actors, to prove knowledge and possession, and to identify the assets which can be seized or forfeited. In financial investigations, controlled delivery is especially useful when the illicit funds or monetary instruments are moved across the borders or through the channels intended to hide their origin or destination (FATF, 2012).

The point is the ability of the technique to reveal the criminal conduct in action. Controlled delivery allows to find out the recipient, facilitator, routes, storage methods, and the hierarchy of criminal organization. But FATF underlines the existence of a serious risk here as the evidence can be lost during the process. For this reason, controlled delivery needs clear procedures, trained personnel, proper supervision, and managerial oversight. The general FATF message remains the same: sophisticated investigative techniques are helpful only in the context of disciplined institutional practice (FATF, 2012).

6.7. Interception of Communications

Interception of communications is another technique described by FATF guidance. It can include the electronic surveillance of the wire and oral communications and also the use of tracking devices. The value of this technique consists in the fact that financial crime is rarely committed through the transactions alone. On the contrary, it is usually planned, coordinated, concealed and adjusted through communications. Interception can help to identify the co-conspirators, the organization of criminal organization, to get the real-time intelligence, and to discover assets, records, and additional evidence (FATF, 2012).

The technique is especially useful when the financial activity is layered or disguised. Communication can reveal who gives the instructions, how the nominees are used, whether the company is legitimate or not, and how the illicit funds are moved when suspects realize that they are being investigated. On the other hand, the technique is quite invasive, coercive, and requires considerable resources. For this reason, FATF underlines that these powers need to be applied lawfully, effectively, and in compliance with the domestic legal requirements. Again, this is the reflection of the general FATF balance—strong investigative methods need appropriate safeguards which are proportional to the intrusiveness (FATF, 2012).

6.8. Undercover Operations and Covert Access to Financial Reality

Undercover operations are the technique which is also discussed in the FATF guidance. This method allows to get the information and evidence which cannot be obtained by conventional means. In financial investigations, undercover work can reveal the structure of the illicit schemes, activities of facilitators, laundering services provided, discussions of ownership, transfer, concealment, or conversion of illicit assets. This technique can be particularly helpful when the case relates to the organized crime, professional money laundering network, trade-based laundering, or informal financial system which is hard to document through the records (FATF, 2012).

Undercover operations are treated by FATF cautiously. The guidance emphasizes the necessity to assess the reliability of the informants, to understand the legal requirements, to conduct background checks on potential targets, to evaluate the operational value, to identify the necessary resources, to determine the termination criteria, to get the prosecutorial advice, if appropriate, and to get the necessary approvals. Moreover, FATF mentions that undercover operations need to be considered only after traditional methods have proved to be inadequate and only highly trained personnel can conduct them. Here, again, we see the FATF logic—advanced investigative techniques need careful preparation, supervision, and legal integrity to be helpful in evidentiary development (FATF, 2012).

6.9. Methods of Proving Income and Circumstantial Financial Evidence

Another important aspect of FATF guidance relates to the methods of proving income. FATF treats this aspect as one of the core elements of the financial investigation because the identification of financial gain from the predicate offenses can help to prove motive, benefit, and circumstantial evidence of the criminal conduct. The guidance distinguishes between the direct and indirect methods of proving income. Direct methods include, for example, the specific item method, while the indirect methods include net worth analysis, expenditure analysis, sources and applications analysis, and bank deposits analysis. This is a crucial point as financial investigations can involve not only the direct proof of a specific illicit payment, but also the application of the methods that can help to find unexplained wealth, concealed proceeds, or discrepancies between the lawful income and actual expenses (FATF, 2012).

The point is very important because in most cases, financial crime leaves incomplete or even misleading records. A suspect does not openly record his or her criminal income, but the assets, spending pattern, unexplained deposits or use of cash can reveal the financial situation that does not correspond to the legitimate income. The inclusion of the indirect methods into the guidance proves that financial investigation is not limited to the search for obvious transactions or admission. Financial investigation is an inferential discipline as well. Discrepancies, patterns, or unexplained wealth can become strong evidence of illicit activity when they are supported by the analysis and proper investigation (FATF, 2012).

At the same time, FATF stresses the difficulties which the application of indirect methods can pose for financial investigation. Investigators need to take into account possible lawful sources of funds like inheritance, loan, or transferring between accounts. They need also to investigate the explanations given by suspects, to identify the source of understated or unexplained income, and to pay special attention to checks payable to cash or missing checks. This warning is important as the circumstantial financial proof is convincing only in case if legitimate alternative sources are thoroughly investigated. FATF presents financial analysis not as a shortcut around the proof but as a thorough evidentiary process which requires accuracy and fairness (FATF, 2012).

6.10. Legality, Proportionality, and Evidentiary Integrity

In all kinds of investigative techniques, three principles remain important for FATF guidance. First of all, the investigative powers need to be established under domestic law and to be used according to procedures. These powers need to be used in a way that is consistent with the privacy, confidentiality, due process, and the rights of the target. FATF also mentions that financial investigations can be intrusive and that investigators need to justify their use as legitimate, necessary, accountable, proportionate, and non-discriminatory. In this sense, FATF finds acceptable in its framework the strong powers which are used lawfully and with consideration of the procedural fairness (FATF, 2012).

Second, the issue of evidentiary integrity is crucial. A financial investigation is not successful because some information is obtained. The success of financial investigation means that this information can withstand the legal scrutiny and be helpful for prosecution, confiscation, or disruption. That is why FATF consistently stresses the issues of lawful collection, proper handling, thorough documentation, specialized assistance where necessary, and compliance with chain-of-custody requirements. Complex financial investigations involve huge amounts of evidentiary material. Thus, any weakness in evidentiary collection or handling can be fatal for the case (FATF, 2012).

6.11. Investigative Techniques as a Measure of Operational Maturity

FATF's approach to investigative techniques further confirms the above-mentioned conclusions about operational effectiveness. A developed financial investigation system cannot be defined only in terms of the presence of investigative powers. A mature system is capable of applying powers skillfully, effectively, and simultaneously. The techniques of surveillance, compulsory production, digital investigation, interviewing, controlled delivery, interception, covert operation, and indirect financial analysis each provides insight into a particular layer of the financial reality. None of these techniques is sufficient on its own. Together, they enable competent authorities to progress from mere suspicion to structured proof, from isolated information to pattern, and from surface legality to criminal gain.

Thus, investigative techniques are perhaps the most evident sign of whether a jurisdiction has transformed FATF standards into operational competence. A country may meet recommendations regarding the presence of investigative powers, but if the powers are rarely used, poorly coordinated, unsupervised, or understaffed with specialists—the effectiveness of financial investigations is doubtful. Therefore, FATF considers investigative techniques not as minor details related to enforcement actions, but rather as core instruments through which AML/CFT systems prove their practical competence (FATF, 2012; FATF, 2025a).

7. Asset Recovery and the Confiscation Function of Financial Investigations

7.1. Asset Recovery as a Core Goal, Not as a Secondary Result

One of the most characteristic features of the FATF scheme is that it treats asset recovery as an aim, not as a possible secondary consequence of criminal investigation. According to FATF scheme, financial investigations are not supposed to provide mere proof of offending, but also identification, tracing, restraining, seizing, and eventual confiscation of assets associated with a criminal conduct or subjected to deprivation. In other words, asset recovery is one of the core objectives of a financial investigation. It is clearly mentioned in FATF guidance of 2012 as one of the main goals of the investigation. It includes temporary restraining, like freezing or seizing, if required. This point is important: financial investigation is not complete because of explaining suspicious transactions or identifying an offender, but because of finding the financial benefits of crime (FATF, 2012).

This approach reflects the more general philosophy of criminal punishment. Offending individuals are condemned by criminal law. However, if these individuals keep the profits of crime, then the punishment loses much of its deterrent and disruptive power. That is why FATF considers asset recovery as an element of operational effectiveness. A jurisdiction can investigate, prosecute, and convict offenders, but still remain ineffective if it systematically fails to freeze and confiscate the criminal proceeds. In this way, a country punishes individuals, but leaves the financial incentives of the criminal behavior intact. This is why FATF continues emphasizing confiscation and provisional measures in the Recommendations and later guidance (FATF, 2012; FATF, 2025a).

7.2. The Connection between Financial Investigation and Confiscation

The connection between financial investigation and confiscation is very straightforward. FATF relates Recommendations 4 and 38 to measures of property identification, tracing, valuation, and to provisional measures of restraining its transfer, disposal, or dissipation. These measures depend greatly on the financial investigation since criminal assets do not appear easily. They may be kept in bank accounts, invested in business, transferred via third parties, converted into the real estate, concealed with corporate structuring or mixing with legitimate funds. Financial investigation becomes the mechanism, through which authorities restore the link between offense, offender, and property (FATF, 2012).

This is because confiscation is not only a problem of sentencing. This is an issue from the beginning of a case. If the authorities start to look for the assets at the end of the process, they will find out that the property was already dissipated or ownership changed by means of the complex structuring or foreign jurisdiction. FATF's emphasis on parallel investigations solves this problem. Through incorporating financial investigation into the process of criminal investigation from the beginning, jurisdictions increase their chances to preserve the economic consequences of the crime. Thus, confiscation is not only the last phase of the enforcement process. It is a strategic goal, which must define the investigation from its first moments (FATF, 2012).

7.3. Tracing the Property and Proving the Connection to Criminal Activity

FATF realizes that one of the biggest problems in asset recovery is proving the connection between the property and criminal activity. It is a crucial evidentiary issue. Just the proof that an individual committed a crime and possessed some property does not satisfy the requirements of the law in many cases. According to the legal model used in the jurisdiction, authorities may have to prove either the fact that the property consists of the criminal proceeds, or the value of the property corresponds to the benefit obtained from crime. FATF mentions both property-based confiscation and value-based confiscation, reflecting different approaches to deprivation of the illicit gain (FATF, 2012).

Such a problem emphasizes the importance of using good financial investigation techniques. Asset tracing can require the analysis of bank accounts, reviews of the companies' documents, inquiries about the beneficial ownership, checking of land registries, forensic accounting, lifestyle analysis, investigation of digital evidence, and international requests for information. In case of complex property schemes, assets may pass through multiple layers of ownership, conversion into different forms, or transfer to the names of associates. Consequently, the task of the financial investigator is both restitutive and analytic. Investigators must trace the movement and transformation of value and explain why the property, resulted from these operations, needs to be recovered according to the law (FATF, 2012).

7.4. Specialized Confiscation Units and Cooperation between Agencies

Due to the complexity of the process of asset recovery, FATF advises countries to think about the creation of specialized confiscation units. These units can consist of financial investigators and prosecutors responsible for the identification and tracing of assets for the confiscation. This recommendation is crucial operationally because the asset recovery requires concentrated professional skills. Cases of asset recovery usually contain legal, financial, procedural, and cross-border issues, which cannot be efficiently handled by ordinary investigative structures. Specialized units may develop the experience in property tracing, preparation of the confiscation applications, cooperation with foreign counterparts, and coordination of the efforts of criminal investigators (FATF, 2012).

On the other hand, FATF warns that such units should not work independently from the overall prosecution process. If asset recovery investigators become separated from the criminal investigation team, both sides may suffer from inefficiency. Relevant evidence may be collected inappropriately, strategies of prosecution may differ, or asset-related measures may contradict the criminal prosecution. Thus, FATF approach to this issue is balanced: the specialization is needed, but the cooperation is equally crucial. Financial investigation, prosecution, and confiscation functions must coordinate their efforts to ensure efficient recovery of the illicit gains (FATF, 2012).

7.5. Freezing, Seizure, and the Preservation of the Recoverable Value

Temporary measures of restraining, especially freezing and seizure, are the key elements of the FATF approach to the asset recovery. These measures are not the goal per se. They are the means, with the help of which authorities can preserve property and prevent the transfer, concealment, or dissipation of the assets before taking the final legal action. The FATF guidance emphasizes the proactive nature of these powers and links directly to the financial investigation strategy. This approach is both practical and needed because in cases of financial crimes the time of the effective restraining can be very short. Once the target finds out about the investigation, assets can be quickly moved between bank accounts, jurisdictions, asset classes, or nominee structures. The delay will turn the recoverable assets into the property known only in the evidentiary record (FATF, 2012).

Freezing and seizure also show the relation between the quality of information and preservation of the recoverable assets. Authorities cannot restrain assets, which they cannot identify. Their identification often depends on the prompt receipt of the information from banks, registries, beneficial ownership databases, customs declaration services, intelligence sources, and channels of the international cooperation. These provisional measures are not only judicial tools. They are the result of the efficient financial investigation. When the asset tracing information is available and well coordinated, freezing and seizure are quick and targeted. When the information is delayed or fragmented—the provisional measures will be too late or miss the most important assets.

7.6. Asset Management and Practical Problems of the Recovery Process

FATF approach to the asset recovery covers not only the issue of confiscation, but also the related issue of asset management. According to the FATF guidance, countries should ensure mechanisms of management of the frozen, seized or confiscated property, and the asset management units should coordinate their efforts with financial investigation and prosecution bodies. This is important because in this way authorities can save themselves from pursuing assets, which are difficult to preserve or too expensive. This means that the successful asset recovery is not measured only by the confiscation orders. It is also important whether the state manages to preserve the value of property rationally (FATF, 2012).

It is a practical aspect, which is often overlooked in the legal analysis. Even having strong confiscation laws, a jurisdiction faces serious problems if its seized businesses lose their value, if the property deteriorates, if maintenance costs are high, or if the administrative system cannot manage the complex properties. Thus, FATF approach to the issue of asset management broadens the concept of effectiveness. The effective recovery of the illicit property means not only the obtaining of the confiscation order, but also the rational preservation of the recoverable value. It is also consistent with the wider international guidance on the asset recovery process, for example, with the World Bank and UNODC Asset Recovery Handbook, which also emphasizes the planning, management, cooperation, and administration of the process of asset recovery (Brun et al., 2020).

7.7. Non-Conviction Based and Administrative Approach

FATF also encourages countries to consider alternatives to criminal confiscation, including the non-conviction based and administrative measures if required. It is important because criminal proceedings can face some practical difficulties. The property can be identified even if the prosecution is delayed, frustrated or impossible for reasons unrelated to the validity of the recovery claim. Therefore, having such alternatives, the jurisdiction can prevent offenders or their associates from holding the illicit assets. FATF does not mean that these measures should be used instead of criminal proceedings as the norm. It recognizes that the wider variety of legal tools can enhance the efficiency of the asset recovery system (FATF, 2012).

This approach proves once more the FATF pragmatism. The agency is not interested in the formal coherence of the legal model per se. The goal is whether the jurisdiction is able to recover the assets related to the criminal activity. Thus, the above-mentioned case illustrates the more general FATF shift from the formal structure to the operational outcome. One can have a neat regime in theory, but perform poorly in practice. On the contrary, having a flexible regime can lead to better results in many practical cases.

7.8. National Asset Recovery Database and Systemic Supervision

FATF also recommends considering the creation of the national asset recovery database. Such database would contain information about asset recovery cases throughout the criminal justice process. FATF suggests this approach to improve the central supervision, identify delays, facilitate the collection of consistent statistics, and foster the cooperation between the interested parties. It is valuable in the context of FATF emphasis on effectiveness and statistics, since without the coherent tracking one cannot understand at what stage the failures happen: tracing, freezing, prosecution, confiscation, or asset management. Therefore, a national database can help in transforming the asset recovery from fragmented acts into the administrable process (FATF, 2012).

Centralized data is also helpful due to the Recommendation 33, which emphasizes record-keeping and statistics on investigations, prosecutions, freezing, seizures, and confiscations. Thus, national asset recovery database becomes not just the administrative tool, but the instrument of institutional learning and control (FATF, 2012).

7.9. Asset Recovery as the Most Important Test of Effectiveness

Asset recovery can be one of the most important tests of the effectiveness of financial investigations. Many jurisdictions can create offenses, establish reporting requirements, and develop formal institutions. Fewer jurisdictions can consistently identify the criminal proceeds, freeze and seize them promptly, prove the recoverable nature of assets, manage them correctly, and obtain the confiscation orders. In this way, asset recovery shows the difference between the formal enforcement actions and practical disruption. It reveals whether the financial investigation has found not only the suspicious activities, but also the economic substance of the criminal activity.

This is why FATF continues emphasizing the importance of improved asset recovery results and best practices. The deprivation of the offenders from the illicit gain is one of the most direct ways to disrupt the criminal enterprise, deter future offending, and preserve the integrity of the financial system. A system, which rarely reaches this point, can be very active procedurally, but still be weak operationally (FATF, 2025b).

7.10. Conclusions on Asset Recovery

Confiscation function of the financial investigation is not an additional feature of FATF approach. It is one of the core aims. Financial investigations are expected to uncover how the money flows, who controls it, where it is stored, and how it can be connected to the criminal activity. Asset recovery is the moment, when all this knowledge becomes practically important. It transforms the financial information into the legal and economic interventions. Therefore, FATF approach to asset recovery should not be considered as a separate technical question. It is the culmination of the financial investigation itself.

It has a very clear message for the present article. If FATF standards reflect the shift from the formal compliance to operational effectiveness, then the confiscation is one of the best indicators of whether this shift happened in reality. If the jurisdiction can trace, freeze, seize, manage, and confiscate the illicit property in a coordinated and legal manner—the financial investigation has the real power. Otherwise, even having a formal compliance regime, a country can leave the foundations of the crime intact (FATF, 2012; FATF, 2025b; Brun et al., 2020).

8. International Cooperation and Persistent Implementation Challenges

8.1. International Cooperation as a Structural Necessity in Financial Investigations

Financial investigations rarely stay within the confines of one jurisdiction. Illicit money may be made in one country, laundered in another, invested through a legal entity in the third, and spent elsewhere. Such transnational nature of the issue is the reason FATF regards international cooperation as a structural requirement, not as a possible addition to the domestic enforcement mechanism. According to FATF's 2012 guidance, Recommendation 40 requires countries to develop mechanisms that will allow financial investigators of one country to obtain and share the information on behalf of another country and use their own investigative powers in support of foreign financial investigations. It also promotes the establishment of joint investigation teams, liaison officers, and informal exchange prior to using mutual legal assistance (FATF, 2012; FATF, 2025a).

In the new Recommendations, FATF preserves this cross-border logic. The organization considers the mutual legal assistance, assistance in freezing and confiscation, extradition, and other modes of international cooperation as distinct but related components of the FATF framework (FATF, 2025a).

This approach is directly linked with the general conception of the effectiveness introduced by FATF. A state can have powerful domestic investigative tools, but it will not be able to use them successfully if it lacks ways to obtain the banking information, beneficial ownership data, corporate data, customs data, and assistance in other countries. Today's financial crime exploits the fragmentary nature of the jurisdictions. The FATF response to this issue is the interdependence of the domestic and international tools. The latter should respond adequately to preserve the evidence and assets. Further FATF's work on the asset recovery and inter-agency networks confirms this assumption. The ARIN 2023 report highlights the significance of informal networks in the identification, tracing, freezing, seizure, confiscation, and repatriation of the assets (FATF, 2012; FATF, 2023b; FATF, 2025a; FATF, 2025b).

8.2. Informal Exchange, Formal Mutual Legal Assistance, and Speed

One of the particular features of FATF's approach to financial investigations is the introduction of informal cooperation. According to the guidance, countries are encouraged to use informal cooperation prior to using formal mutual legal assistance requests where appropriate. This position is practical. Indeed, formal MLA remains necessary and important, especially when coercive measures, admissible evidence, and judicial orders are needed. Nevertheless, FATF acknowledges that formal requests may take too long and may involve some procedural complications. They may not be the most appropriate tools to allow investigators to quickly identify the relevant accounts, establish corporate relations, locate the assets, and decide whether to apply urgent restraint measures (FATF, 2012).

Thus, informal exchange may accelerate financial investigations. It enables investigators to test hypotheses, obtain the necessary information, limit the scope of the future formal request, and act quickly enough to address the short periods of time created by the movement of the funds. The logic behind this idea is simple—speed is vital. Money can be instantly transferred, corporate structure may be changed, and some records may become less accessible after moving the assets to less cooperative or less transparent environment. This is why FATF introduces the support for informal exchange. This approach reflects FATF's operational assumption that speed is the crucial factor in financial investigations. It may be the decisive factor between the recovery and the disappearance of the evidence (FATF, 2012; FATF, 2023b; FATF, 2025b).

Nevertheless, FATF does not suggest to substitute the legality with informality. The information obtained from the foreign country should be used for the agreed investigative and law-enforcement purposes and protected from any unauthorized disclosure. This balance is critical. The successful international cooperation should be quick enough to be useful and disciplined enough to remain lawful and trusted. Cooperation across the borders becomes less efficient when the foreign counterparts believe that their information will be misused, will go out of control, or the procedure will not be reliable enough. Thus, FATF's model combines the operational flexibility with confidentiality and respect to the conditions of use (FATF, 2012).

8.3. Joint Investigation Teams and Liaison-Based Cooperation

Also, FATF encourages the use of joint investigation teams and liaison officers These instruments are significant for their role in developing the cooperation from the exchange of the documents to the coordinated operations. In case of multi-jurisdictional issues, the approach based on requests might prove to be insufficiently coordinated. Joint investigations allow the competent authorities to coordinate the strategy, distribute the tasks, analyze the intelligence and avoid the overlapping. What is more, liaison officers are useful in improving the cooperation due to their position as the trusted points of contact who understand both systems and can resolve practical difficulties (FATF, 2012).

Importance of these instruments is associated with overcoming the institutional distance. Financial investigations are hampered not only by the existing legal restrictions but also by the lack of knowledge about the person one should contact, about the type of information available in another jurisdiction, about the type of informal information that might be available and about the domestic procedure of obtaining it. Hence, the cooperation based on the principle of liaison and the organizational structure of joint investigations turn general cooperation obligations into practical lines of communication.

8.4. UN Framework and the Legal Architecture of the Cooperation

However, one must also mention that the cooperation-oriented approach of FATF takes place in the broader context of international law. Namely, Palermo Convention aims at improving cooperation in the area of prevention and combating of transnational organized crimes. This treaty framework highlights the role of mutual legal assistance, cooperation relating to extradition, exchange of information and cooperation concerning confiscations in transnational cases (United Nations, 2000). In turn, the operational guidelines provided by FATF do not duplicate this framework. On the contrary, they develop this framework in terms of AML/CFT and financial investigation. Thus, what emerges is the layered legal system where FATF defines the operational guidelines, whereas international conventions define the treaty foundation of cross-border cooperation.

The interaction between these two components of FATF approach is especially important since it illustrates that international cooperation in the area of financial investigations is not only a good administrative tool but rather the component of the transnational legal order aimed at increasing the vulnerability and visibility of the illicit financial flows to the interventions. Financial investigations demonstrate the practical relevance of such legal order in terms of the ability of the states to cooperate quickly and legally enough to track the money moved across the borders to exploit the legal gaps.

8.5. Persistent Implementation Challenge: The Gap between Technical Compliance and Actual Results

But although the FATF's approach has proved consistent, one of the major problems is the discrepancy between the formal compliance and the outcome of it. The topic is revealed by the methodology of FATF assessment and is especially apparent in financial investigations. Even if the jurisdiction complies with all the legal requirements concerning legislation, designation of investigators, FIU establishment, and confiscation and cooperation measures, it can still achieve poor results in practice. The methodology of FATF is based on such discrepancy: it estimates both the compliance with the Recommendations and the effectiveness of the AML/CFT system in reaching its objectives (FATF, 2025a; FATF, 2025b).

The financial investigations are especially susceptible to the problem due to their dependence on the chain of the necessary institutional and informational factors. In case the investigators cannot access the information about the beneficial owners, the dissemination procedure in the FIU takes a long time, the data in the registry is poor, the digital forensic capacities are lacking, the inter-agency cooperation is poor, or the prosecutors and asset recovery authorities are not cooperating effectively, the formal measures may produce nothing. For this reason, FATF always associates financial investigations with strategic, coordinating, training, and asset recovery activities (FATF, 2012).

This issue is confirmed by the academic literature. Manning, Wong, and Jevtovic research the connection between the FATF Recommendation compliance and the overall AML results and prove that the formal compliance with the international standards is not a guarantee for successful performance indicators (Manning et al., 2021).

Official FATF and comparable case materials illustrate these practical risks. First, the FATF and Egmont Group report on concealment of beneficial ownership shows how nominee shareholders, shell companies and layered corporate structures can prevent investigators from identifying the real controller of assets. Secondly, FATF materials on inter-agency asset recovery networks show that delayed formal cooperation may allow assets to dissipate, while early informal contact between asset recovery offices can help locate and preserve property before formal mutual legal assistance is completed. Thirdly, FATF asset recovery materials show that investigations which begin asset tracing too late may secure convictions without meaningful confiscation, whereas early parallel financial investigation improves the prospects of freezing, seizure and value-based recovery (FATF & Egmont Group, 2018; FATF, 2023b; FATF, 2025b).

In general, Tiwari, Gepp, and Kumar show that the money laundering research constantly discovers uneven implementation and fragmented enforcement capacity as the recurring issues. Thus, the gap between the compliance and effectiveness remains the central issue of the field (Tiwari et al., 2020).

8.6. Persistent Implementation Challenge: The Fragmentation

Second, there is the issue of institutional fragmentation. As FATF 2012 guidance suggests, the lack of proper interagency connections may weaken the complex financial investigation process. However, the issue goes beyond the procedural problem. This is one of the key reasons for the sophisticated financial crime not to face the complete disruption. Relevant data can be present in police, customs, tax authorities, land registries, company registries, banks, FIUs, and foreign agencies, but there might be no proper way to put all those pieces together (FATF, 2012).

In addition, the institutional fragmentation may take more subtle forms. For example, agencies may operate on different mandates, have conflicting priorities, different technologies, evidentiary cultures. Intelligence agencies might prefer confidentiality, prosecution offices might prefer admissibility, supervisory bodies—the compliance violations, and law enforcement—the immediate criminal charges. Such lack of coordination mechanisms might impede the use of the proper information at the right time and in the right form. The recommendations to create the multidisciplinary teams, memoranda of understanding, standard operating procedures, and centralized databases address the issue of structural fragmentation (FATF, 2012).

8.7. Persistent Implementation Challenge: The Beneficial Ownership Opacity and Information Quality

The next obstacle to the implementation of financial investigation measures is the opacity of the beneficial ownership and the poor quality of the key information sources. FATF guidelines see the adequate, accurate, and timely information about legal persons and legal arrangements as the key element of the financial investigation process. This is quite a reasonable statement. Complex laundering structures always utilize shell companies, nominee shareholders, layered corporate structures, trusts, and other entities, which separate the actual owners from their real control over the entity. If registry data is outdated, not verifiable, incomplete, and difficult to search, then the investigators will be able to identify the suspicious entity, but not its real owner (FATF, 2012).

This issue is confirmed by the later FATF guidelines on the beneficial ownership as the major international concern. The persistence of such concealment mechanisms suggests that formal registry systems alone are not sufficient when the underlying information is poor or inadequately verified (FATF, 2023a; FATF & Egmont Group, 2018). When it comes to financial investigation, it means that the opacity of ownership structures may severely hinder the efficiency of otherwise efficient investigative methods. Investigators might be able to trace the assets to the company, but without identifying the real controller, the chain of enforcement would remain unfinished.

8.8. Persistent Implementation Challenge: Resource Constraints and Uneven Expertise

The financial investigations are resource intensive. They may require special investigators, forensic accountants, digital forensic specialists, expertise of lawyers, translation services, international travel, and coordination with the prosecution. This is recognized by FATF directly in terms of needs assessment, resource allocation, special training, and creating special units (FATF, 2012).

However, in practice, many jurisdictions are not able to maintain this level of capacity. Even though the legislation is updated, the operational agencies may lack the staff or the continuity of the expertise. This affects not only the big cross-border cases, but also the routine integration of financial inquiry into proceeds-generating offenses. FATF's expectation that financial investigations should become the normal part of the law-enforcement work is challenging because this routine integration requires sustainable expertise, not the occasional excellence. Systems that are based on individuals, not institutional capacity, remain vulnerable to the turnover, overload, and inconsistency of the performance.

8.9. Persistent Implementation Challenge: The Rights, Privacy, and Proportionality

Another challenge is to keep the balance between the strong investigative capacity and the legal protection. FATF recognizes that the financial inquiry is usually intrusive and the investigators should respect privacy, human rights, proportionality, accountability, and the right to a fair trial (FATF, 2012).

It is not an external problem of the FATF approach. It is an internal problem of the model. Financial investigations involve the access to the highly sensitive information on banking records, customer due diligence, communications, ownership, cross-border transactions, and sometimes the use of specific investigative powers such as interceptions and undercover activities. These can become legally and politically vulnerable or even be viewed as the violation of fundamental rights if there are no corresponding safeguards against any abuse. On the other hand, overly strong safeguards can render the access virtually impossible and undermine the effectiveness of the process. Therefore, the actual question is not about the importance of the rights but how to create the legal framework that allows balancing the rights protection and the investigative potential.

The problem becomes even more important in the technologically-mediated environment when the amount of the data flow grows and the data protection becomes even more sophisticated. The academic discussion stresses the tensions between the AML goals and the data protection requirements in the new reality and underlines the importance of the proper legal design instead of unrestricted access (Karasek-Wojciechowicz, 2021).

8.10. Persistent Implementation Challenge: Over-Reporting without Adequate Investigative Follow-Up

Another common issue in the AML/CFT system is the generation of the vast amounts of the reports without sufficient analysis and investigation. According to FATF guidelines, it is important to realize that the value of the information obtained through STR comes only from its analysis and use in combination with other sources for the specific purposes. Such an AML/CFT system producing great amounts of the reports, yet lacking prioritization, feedback mechanism, access to investigators and capacity to conduct an analysis seems to work actively, however, being overwhelmed with the unnecessary data (FATF, 2012).

Such a problem is crucial because it creates the illusion of the compliance with the AML/CFT obligations. It is easier to evaluate the amount of reports rather than the results of the investigation. The effectiveness assessment by FATF presupposes that the main point is not how much information is received, but how much of it is turned into the intelligence, evidence, restraint, prosecution and confiscation. Thus, financial investigations become a key indicator of the orientation of the AML/CFT system.

8.11. Concluding Remarks on Cooperation and Implementation

Based on the arguments presented above, there is a paradox of the FATF model of the financial investigations. First, it is theoretically coherent and operationally advanced. It takes into account the importance of parallel financial investigations, multidisciplinary structure of the investigations, FIUs cooperation, beneficial ownership transparency, asset recovery, and international exchange of the information. Second, the success of this model depends on very demanding institutional requirements which many jurisdictions fail to satisfy. Usually, this is not the lack of the relevant legal provisions, but delays, fragmentation, opacity, weak coordination, limited resources, and inability to translate the formal powers into the operational reality.

Accordingly, the later sections should be read cumulatively. The article first identifies the FATF standards, then explains the institutional chain required to operationalize them, then connects information access and FIU cooperation to evidentiary development, and finally treats asset recovery and international cooperation as the outcome-oriented tests of that chain.

Therefore, the international cooperation and implementation issues are not peripheral matters. They are the areas where strengths and weaknesses of the FATF model become apparent. Financial investigation capacity of a jurisdiction is determined not only by legislative authorization of the relevant powers, but also by its ability to cooperate across institutions and jurisdictions in order to catch the criminals' proceeds quickly and efficiently. This is an operational test of the FATF ambition to move from compliance to effectiveness (FATF, 2012; FATF, 2023b; FATF, 2025a; FATF, 2025b).

9. Conclusion

Financial investigations are an essential element of the FATF framework because they connect ambitions of the AML/CFT systems and enforcement realities. FATF guidance of 2012 clearly demonstrates that financial investigation is not just an accounting task or some procedural tool. It is a mechanism through which competent authorities can identify proceeds of crime, trace assets, uncover criminal structures, exploit financial intelligence, support prosecution, and facilitate confiscation (FATF, 2012).

In this article, it is argued that FATF standards reflect important transition from compliance to effectiveness. Financial investigations are one of the clearest tests of whether the AML/CFT regime is effective in practice. It depends not only on criminalization or formal investigative powers, but also on wider institutional environment, which includes specialized investigators, multidisciplinary coordination, timely access to the information, cooperation with FIUs, reliable beneficial ownership information, strong asset tracing capacity, and meaningful international cooperation. The important question here is not whether financial investigations are formally recognized, but whether they are embedded in the routine in the way that leads to consistent results—intelligence, evidence, restraint, prosecution, and recovery of the value (FATF, 2012; FATF, 2025a).

Another finding from the analysis is that problems with the practice are rarely related to the lack of legal provisions. Usually, they are linked with implementation problems, including fragmentation, poor quality of the ownership and registry information, slow dissemination of the financial intelligence, limited investigative expertise, weak asset management systems, and delayed or ineffective international cooperation. These factors underline importance of the FATF distinction between technical compliance and effectiveness. AML/CFT system may seem complete on paper, but not prevent criminals from keeping their proceeds of crime or translating financial suspicion into the legal consequence (FATF, 2025a; FATF, 2025b; Manning et al., 2021).

Additional conclusion from the analysis is that asset recovery should be seen as a practical culmination of financial investigations. FATF does not see confiscation as merely a consequence of criminal proceedings. For FATF, it is one of the main reasons why financial investigations are so important. When countries can identify, freeze, seize, manage, and confiscate the assets of criminals in timely and coordinated manner, financial investigations show their true power. When they cannot, enforcement may be impressive, but not disruptive (FATF, 2012; FATF, 2025b; Brun et al., 2020).

There are several implications from these conclusions for policy makers. They should develop parallel financial investigations as a routine part of proceeds-generating and terrorist financing cases. They should provide access to the adequate, accurate and timely beneficial ownership information, strengthen operational cooperation between FIUs and investigative authorities, develop specialized financial and digital expertise, and establish responsive international cooperation channels. They should also treat asset management and recovery information as the performance indicators, not administrative matter. Such measures do not only improve the procedure. They increase substantive capacity of the state to disrupt the financial logic of crime.

Financial investigations under the FATF standards reveal deeper ambition of modern AML/CFT regime—not only prohibition of the illicit finance, but also making it traceable, evidential, and economically vulnerable. The success of such ambition depends on whether national systems are able to move from formal adoption to effective and coordinated implementation (FATF, 2012; Nance, 2018; Tiwari et al., 2020).

Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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