The IMF and AML/CFT Risk: a Brief Overview

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Fund Work on AML/CFT Risk

• Theoretical Framework
• Practical Applications
• Development of TA Tools
Theoretical

Framework paper
- Presents risk management standards
- Applies them to AML/CFT
- Drafts have circulated
- Work was suspended in order to focus on practical case studies

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Practical Applications

Pacific Islands
Uruguay
Peru
Thailand

Other seminars and activities
- South East Asia
- South Asia
- East Africa

Upcoming/In progress - EUR PNRA (in cooperation with the OSCE)

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Elements of Risk

Risk = Likelihood X Consequence

Likelihood
- Threat
- Vulnerability

Consequence
- Social
- Economic
- Political
**Threat**

Demand for ML/FT

POC is a proxy

Other elements

- Composition of POC
- Characteristics of criminal organizations
- Characteristics of launderers

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**Vulnerability**

- Systemic characteristics that facilitate ML
- “Weaknesses” in AML/CFT controls
- Other systems that impact on ML and FT activity (e.g., CJS, Border)
- Financial services products open to ML abuse
- Geographical, social, and economic conditions.

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Risk Assessment Modalities

- Workshop based
- In-country TA project
- Combined approach (PIC/PNRA)
  - Country Work
  - Deskwork
  - Workshop validation and discussion

Risk Assessment Procedures

- Combination of objective data and structured perceptions
- Data collection and analysis
  - Crime statistics
  - Financial Sector characteristics
  - AML/CFT regime and controls
- Expert sessions and workshops
  - Data Validation
  - Surveys and judgments
- Interagency Process
- Reporting and outcome
Connection to National Strategies

- Risk Assessment => Risk mitigation
- National strategies and other policy processes
  - Resource allocation
  - Policy making
  - Legislative drafting
- Concrete Examples
  - Peru
  - Thailand

Questions?

Thank you for your attention