

**20th OSCE ECONOMIC AND
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**AML/CFT National Risk
Assessment (NRA)**



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OUTLINE

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Introduction

- Universal AML/CFT standard – the 40+9 FATF Recommendations (the new Rec. 1 on NRA, expected in February 2012)
- Jurisdictions are very different (geography, population, economy, crimes level, etc)
- Even within a single jurisdiction the various financial and non-financial sectors differ from each other
- A solution is needed to implement the standard taking into account existing differences

Introduction

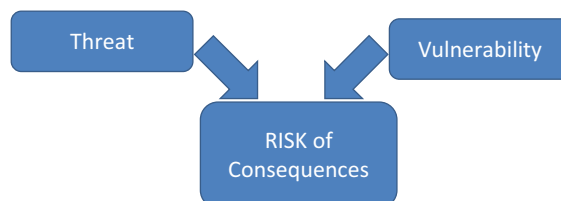
- **Response: introduction of a Risk-Based Approach – RBA (from voluntary to mandatory)**
- **Concept: the amount of attention given to a particular issue and counter-measures should correspond to the level of “risk” inherent to it**
- **Application of risk:**
 - Linked to effectiveness of AML/CFT regime
 - RBA in the Financial Sector/DNFBPs
 - General principle (list of obliged entities)
 - Specific Recommendations explicitly mention various risk scenarios
 - Risk-based AML/CFT supervision

Reason for NRA

- **Need to implement the standard taking into account the features of a particular country**
 - Need to have a broad understanding of current situation with regard to ML/TF
 - Threats
 - Vulnerabilities
- **A key component of the risk management process, policy decision making, resource allocations, etc.**
- **Special attention for lower risk situations – relevant for low capacity countries/ financial inclusion**

General Framework for NRA

- **Basic concepts:**
 - Nature and scale of ML/TF and related predicate crimes (**threat**, an “external” factor)
 - Weaknesses in AML/CFT systems and controls and other features of a jurisdiction that make it attractive to criminals (**vulnerability**, an “internal” factor)
 - Potential damage or loss that can be caused by any of the factors above (**consequence**)



Preparation of the NRA: Steps

1. Form a task force consisting of all the relevant authorities working on AML/CFT
2. Decide who is going to lead the task force
3. Decide whether the private sector should be also included and if so, whether partially or fully
4. Agree on the objectives and scope of the NRA
(for example, threat assessment only, vulnerability assessment only or comprehensive risk assessment)
5. Agree on the output/outcome *(what format is the deliverable? How is info used?)*

Preparation of the NRA: Steps

6. Agree on the methodology, NRA framework/tool
(SIP Risk Assessment Tool, WB 2nd generation RA tool, other frameworks/tools)
7. Decide the list of indicators necessary for NRA
8. Decide the practical timeframe
9. Assign tasks and divide the work on collecting data/information. *Also consider whether any work to be outsourced, for example, estimating the scale of ML/TF, etc?*
10. Once information is gathered, populate the information in the NRA framework/tool

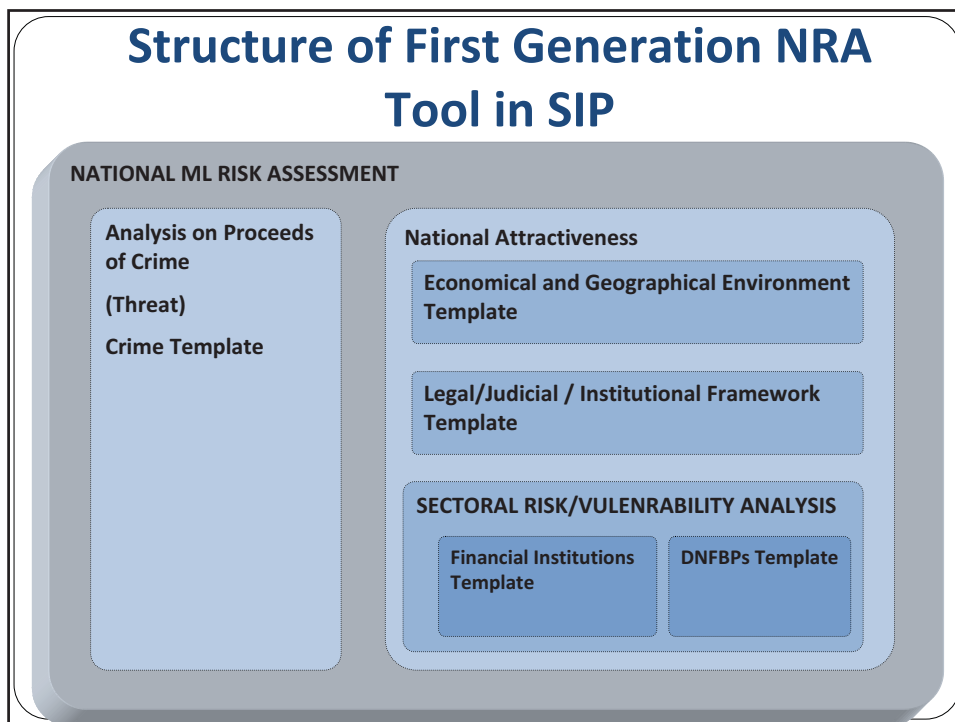
Preparation of the NRA: Steps

11. Analyze the information – collective exercise
Discussion among members of Task Force and possibly other experts
12. Make sound judgments about the risk level
13. Agree on prioritization, **action plans based on the risk outcome.**
14. Map out how the NRA assessment outcome will be utilized (adjust as necessary the plan which was mapped out at the beginning).

World Bank NRA Tools

- **First generation tool:** NRA in the Strategic Implementation Planning Framework (SIP)
 - jointly developed by the Asian Pacific Group (APG) and the World Bank
 - both MF and FT templates are ready
- **Second generation tool:** Bayesian vs. Excel based

Structure of First Generation NRA Tool in SIP



Second Generation NRA Tool

- Provides an idea on the overall risk and vulnerability in the country
- Allows diagnostic and scenario analysis
- Allows the comparison of vulnerabilities arising from various products/services
- Allows the comparison of vulnerabilities arising from various sectors
- Allows prioritization and sequencing of potential AML actions

THANK YOU !

