The Egmont Group
of Financial Intelligence Units

Egmont Strategic Analysis Course

Session 3

Understanding strategic analysis

Participant Manual

Version 30 October 2012

1. Introduction

The process of analysis is the conversion of raw data and information into something that is meaningful which may immediately or potentially affect the end user decision making process. This meaningful product we know as intelligence.

Throughout the analytical process we collect and analyse additional information to ensure that the intelligence we produce is a value added product. This applies no matter what type of analysis you are conducting, whether it is strategic or tactical.

There are three dimensions that affect the nature of the end product including, the scope of our analysis, the process of analysis and the degree of value added.

Scope
The scope of our analysis can be anything from the very tactical through to very strategic.

Process
The process can include less analysis through to more detailed analysis.

This can be "measured" in a number of ways, e.g.:
- Amount of data involved
- Complexity of issues and other considerations

Analysis includes both quantitative and qualitative analysis, and both manual and automated techniques and tools.

Value added
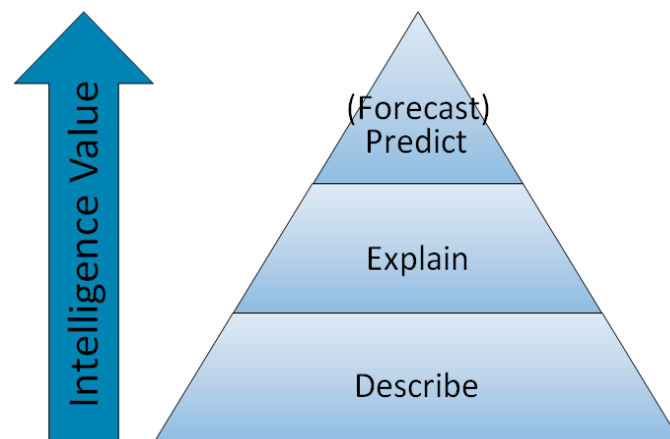The degree of value added is the amount of intelligence produced.

Diagram 3.1 *Intelligence value hierarchy*

The three dimensions are all somewhat independent of one another, but all apply to the **work we do and what we produce**.

Over the page is an illustration of 5 different products in relation to those three dimensions. Each of the products is identified by spheres of equal size.

1. Very tactical, and is low in both analytical process and intelligence value,

   e.g., collation of call charge record information between the identified phone number of a person of interest and a single, unknown phone number.

2. Mostly tactical with low levels of analytical process and medium intelligence value,

   e.g., linking a person of interest to all their bank accounts through structured searches on the FIU system - just their immediately linked accounts.

3. Halfway between tactical and strategic with medium analytical process and higher intelligence value,

   e.g., identifying and clustering all relevant individuals, activities and links, over time, from a database.

4. The fourth is tactical with high analytical process and high intelligence value,

   e.g., full-scale analysis of the an individual or single, small group's accounts, financial and other relevant activities, over time and geography, in support of a single investigation.

5. Very strategic with high analytical process and high intelligence value,

   e.g., a national threat assessment, based on all-source information, looking at all groups falling into one or more defined categories, with different factors affecting them.
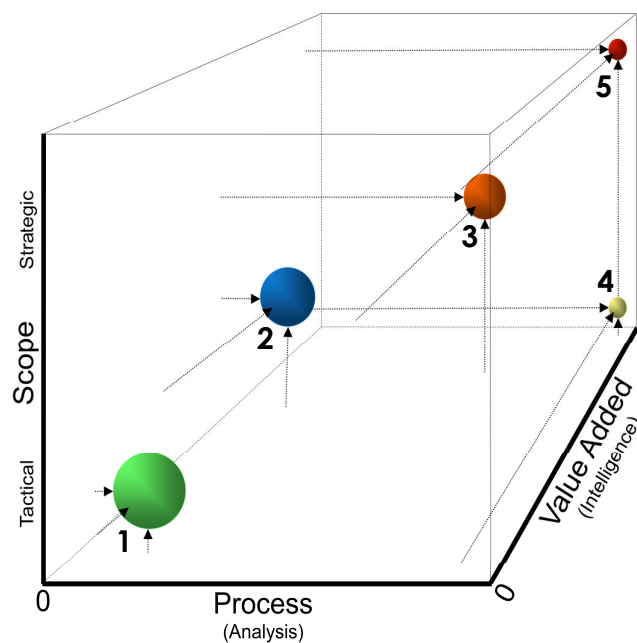

Diagram 3.2 *Dimensions of analytical products*

2. What is strategic analysis?

Below is a general definition that combines both the process and the use of strategic analysis.

*Strategic analysis is the process of developing **knowledge**, using the data/information at one's disposal, to generate results that **provide insight** into and **enhanced understanding** of the various activities, behavior, and environments of interest.*

Strategic analysis is generally not related to individual cases, but it is very important to remember that it may do so, on the odd occasion when an individual case has strategic implications.

Strategic Analysis – in the FIU context

*Strategic analysis **in an FIU context** involves the process of developing knowledge as it relates to money laundering, terrorist financing, and other threats to the integrity of a country's financial systems or to a country's security through its financial systems.*

The analysis, conducted using the data/information at the disposal of the FIU, generates results that provide insight and an enhanced understanding of the various activities, behaviors, and environments of interest.

The sophistication of strategic analysis may vary according to the capacity and resources available to different FIUs, but it is important because it -

- 'plays an important role in developing knowledge to be used for current and future needs,

- it can inform policy-makers and/or other parts of the jurisdiction's AML/CFT regime, and

- can be used to shape the future work of the FIU'.

So, do we all feel we have a good understanding of the purposes and scope of "strategic analysis," especially with respect to the work of our organizations?

The scope of strategic analysis is broader that other forms of analysis.

3. Tactical vs Operational analysis

Different authorities define tactical and operation analysis in different ways and there is often much cross over between the two.
As a result of this confusion, FATF has now combined the two types of analysis which are jointly called 'Operational Analysis'.

4. Knowledge triangle: Moving from data to strategic intelligence

Strategic intelligence is composed of multiple building blocks:

I. **Data**: Data are numbers, letters, words, sentences, etc., that have not yet been examined or even read for their informational content. In and of themselves, data are void of information. We don't know at this point whether there is any intelligence value in the data.

II. **Information**: When data points are interpreted, formatted, and organized we derive information. Information tells us something about the facts related to event and entities. For our purposes, we'll consider two forms of information: (1) the facts themselves; (2) premises that are very basic statements about the facts.

III. **Tactical Intelligence**: This layer moves us into knowledge, but of tactical nature. Tactical intelligence is focused on supporting investigations and prosecutions related to individuals. It essentially involves establishing linkages between parties through financial transactions and other relevant information to understand the nature of their relationships, who is involved and the levels of importance of that involvement.

IV. **Strategic Intelligence**: Information and tactical intelligence from the previous layers serve as the building blocks for strategic intelligence. Here, our goal is to provide guidance to policy makers, tactical analysts and our partners in the law enforcement and security intelligence communities on issues of interest.

5. Benefits of strategic analysis

Strategic analysis enables us:

- ✓ To understand our subject matter better
- ✓ To align our decisions with our overall direction
- ✓ To make better decisions
- ✓ To anticipate what might happen
- ✓ To assess how likely it is to happen and prepare in the event it does

6. Strategic analysis product range

Strategic analysis can generate various different kinds of products, ranging in complexity, scope, and analytical value added. Here are a few examples:

I. **Typology:** a systematic classification of a number of ML/TF schemes that appear to be constructed in a similar fashion or using similar methods.

II. **Trend:** a general tendency or inclination within a given set of circumstances. When a typology occurs for any given event over a period of time, this can be classed as a trend.

III. **Pattern:** recurring characteristic or trait that helps in the identification of a phenomenon/problem and that serves as an indicator or model for predicting its future behavior.

IV. **Synthesis:** the composition or combination of parts or elements so as to form a whole. Synthesis lets us make connections that identify break-through ideas and opportunities in the detection of ML/TF operations.

V. **Geographic/Region analysis:** the area of influence or location of the phenomenon

VI. **Behavior analysis:** the type of operations, institutions, products, etc., used by a group

VII. **Activity analysis:** identified weaknesses of an economic sector or activity

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1

Dimensions of analysis

Scope

Very tactical ⟶ very strategic

Process

Less analysis ⟶ more analysis

Value added

Less intelligence ⟶ more intelligence

2

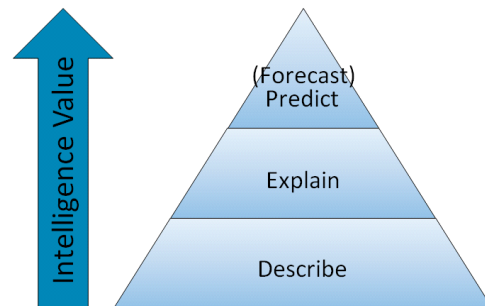### Process: Extent of analysis

Can be "measured" in a number of ways, e.g.:

- Amount of data involved
- Complexity of issues and other considerations

Includes both qualitative and quantitative analysis

Includes both manual and automated techniques and tools

3

Value added: Intelligence

Intelligence Value

(Forecast)
Predict

Explain

Describe

4

Product Attributes in Three Dimensions
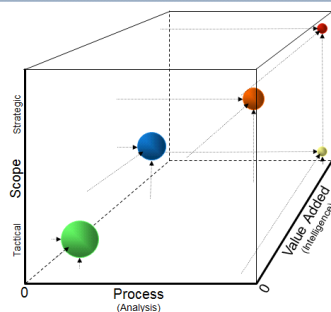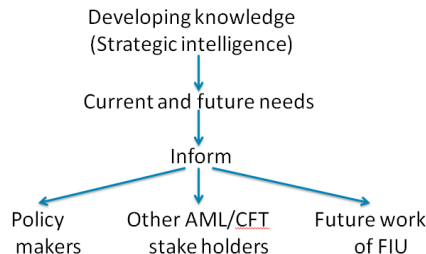
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Discussion:

What is strategic analysis?

6

What is Strategic Analysis?

The Heads of FIUs said:

- Strategic analysis is the study of multiple variables to obtain aggregated information to identify trends, typologies, behavioral patterns, detect new developments and assess new money laundering and terrorist financing risks.

7

What is Strategic Analysis?

The Heads of FIUs said:

- Everything that is not tactical analysis.
- Should be used within the FIU to put information into data systems to do profiling and alerts and patterns.
- It will help to make decisions, to focus tactical analysis.

8

What is Strategic Analysis?

The Heads of FIUs said:

- Strategic analysis will also inform:
  - Resourcing
  - Legislation
  - International and domestic information sharing
  - Can not be constrained to simply strategic analysis reports.

9

What is Strategic Analysis?

Strategic analysis is the process of developing **knowledge**, using the data/information at one's disposal, to generate results that **provide insight** into and **enhanced understanding** of the various activities, behaviors, and environments of interest.

10

What is Strategic Analysis?

Strategic analysis **in an FIU context** involves the process of developing knowledge as it relates to ML/TF and other threats to the integrity of a country's financial systems or to a country's security through its financial systems.

The analysis of FIU data generates results that provide insight and an enhanced understanding of the various activities, behaviors, and environments of interest.

11

What is Strategic Analysis?

Developing knowledge
(Strategic intelligence)

↓

Current and future needs

↓

Inform

Policy makers   Other AML/CFT stake holders   Future work of FIU

12

Other Types of Analysis

Tactical Analysis:

The process of collecting and analysing the available data and information relevant to a **particular case** or potential case that leads to a conclusion specific to that case.

13

Other Types of Analysis

Operational Analysis:

Uses all relevant sources of information available to produce, for example, activity patterns, new targets and targeting priorities, investigative leads, criminal profiles, and a broader knowledge of relationships between suspect persons.

14

Discussion:

What is the difference between tactical and strategic **data** and **information**?
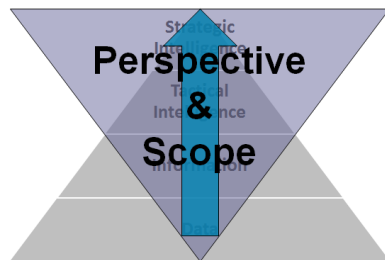
Absolutely NOTHING!!

15

Moving from Data to Strategic Intelligence
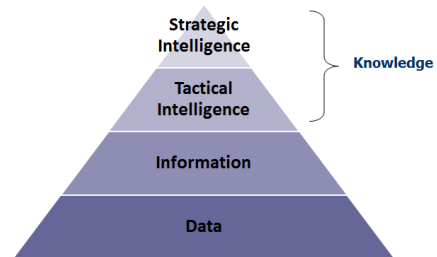
16

Moving from Data to Strategic Intelligence

17

Strategic Analysis Benefits

Strategic analysis enables us to…
- Understand our subject matter better
- Make better decisions
- Align our decisions with our overall direction
- Anticipate what might happen
- Assess how likely it is to happen
- Prepare for it to happen

18

Strategic Analysis Product Range

- Typology
- Trend
- Pattern
- Synthesis
- Geographic/Region analysis
- Behavior analysis
- Activity analysis

19

Summary – What is Strategic Analysis?

Strategic analysis is the process of developing high-level **knowledge**, using available information, that **provide insight** and **enhanced understanding** of the various activities, behaviors, and environments of interest, for the purpose of **supporting strategies**, to deal with those activities, behaviors and environments.

20

What is Strategic Analysis - FIU?

Strategic analysis in an **FIU context** involves the process of developing strategic intelligence as it relates to money laundering, terrorist financing and other threats to the security of a country's financial systems or broader threats using those financial systems.

21