

# Key Elements for Preparing the NRA



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Tuesday, February 13, 2018



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# Three keys to risk assessment


- Threat
  - Who is out there and what do they want to do?  
Person or group of people with the potential to cause harm.
- Vulnerability
  - Things that either can be exploited by the threats or may support or facilitate their activities.
- Consequences
  - The impact or harm that ML/TF may cause



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**Risk: function of the likelihood of occurrence and the consequence of risk events**

$$R = f[(T), (V)] \times C$$


likelihood



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**Risk events occur when a threat  
exploits vulnerability**

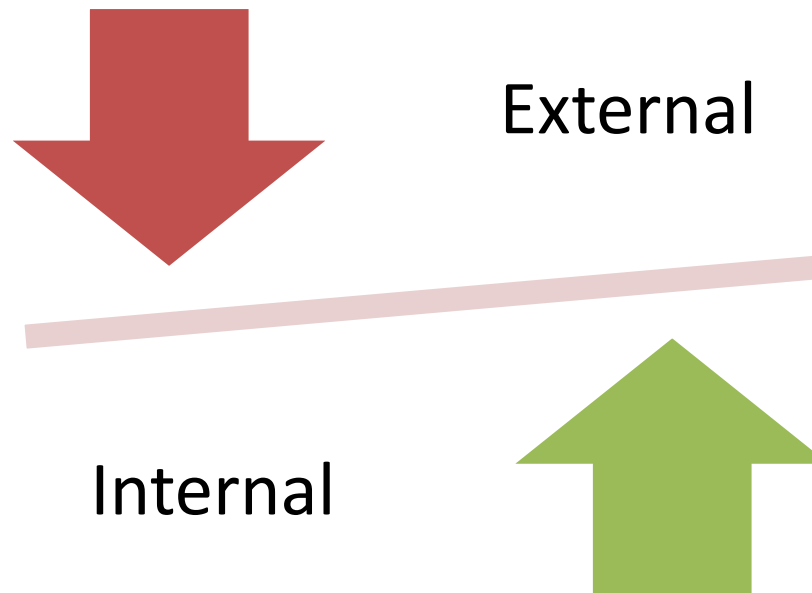
$$R = f[(T), (V)] \times C$$



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**In ML, a threat is mostly related to the nature and scale of the potential demand for ML**





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# Categories of Vulnerability Indicators

- Geographic location
- Financial services and products
- Levels of informality in various sectors
- Weaknesses in the AML/CFT systems and the adequacy of existing AML/CFT controls, general levels of corruption
- Effectiveness of law enforcement agencies, and the criminal justice system



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# **Consequences of using successfully laundered assets**

- Have broader, longer-term social, economic, and political consequences
- Applied to citizens, businesses, communities or national or international interests,
- Encourages further criminal activity and thus, further laundering



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# ML/FT Controls

In ML/FT there are two types of controls:

- General controls and mitigants: e.g., general regulatory requirements;
- Specific AML/CFT controls, including those implementing the FATF Recommendations.





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# Contextual Factors to ML/TF risks

- General circumstances & “materiality”  
(specific things that are relevant or have a material impact on AML/CFT in the country);
- Structural elements in the overall national system;
- Other contextual factors



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# From measurement to mitigation

Risks are assessed from low to high

- **low** – no mitigation required
- **medium-low** – no mitigation expected, reason required if in place
- **medium-high** – mitigation expected, reason required if not in place
- **high** – mitigation required

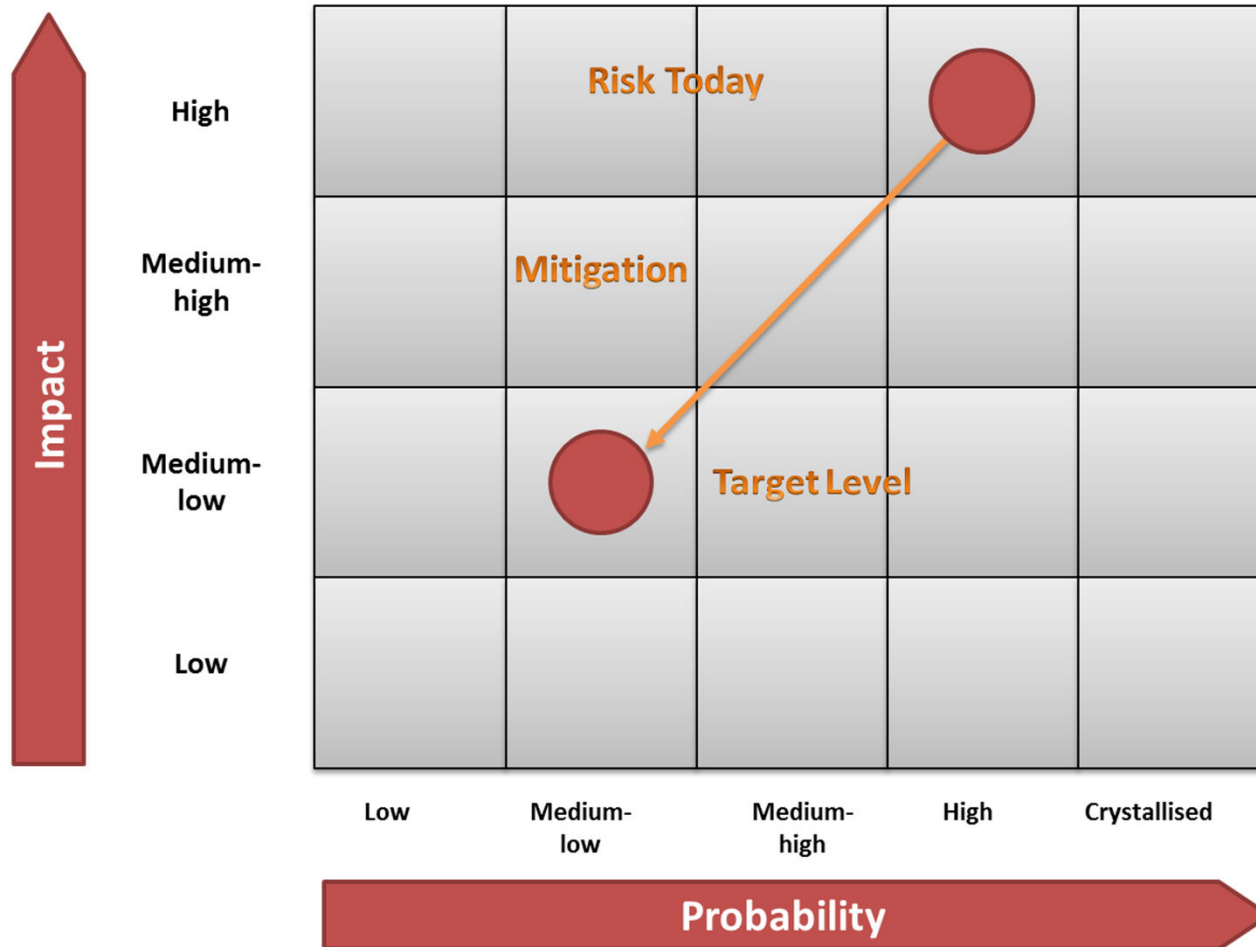


<div> <div>Impact</div> <div>High</div> <div>Medium High</div> <div>Medium Low</div> <div>Low</div> </div>	<ul style="list-style-type: none"> <li>No mitigation</li> <li>"Close &amp; Continuous" monitoring</li> </ul>	<ul style="list-style-type: none"> <li>Justify mitigation</li> <li>Enhanced monitoring</li> </ul>	<ul style="list-style-type: none"> <li>Mitigation (justify <u>inaction</u>)</li> <li>Watchlist</li> <li>Upward escalation</li> </ul>	<ul style="list-style-type: none"> <li>Mitigation</li> <li>High intensity watchlist</li> <li>Upward escalation</li> </ul>	<ul style="list-style-type: none"> <li>Remediation</li> <li>High intensity watchlist</li> <li>Upward escalation</li> </ul>
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	Low	Medium Low	Medium High	High	Crystallised
	<div> <div>Probability</div> </div>				



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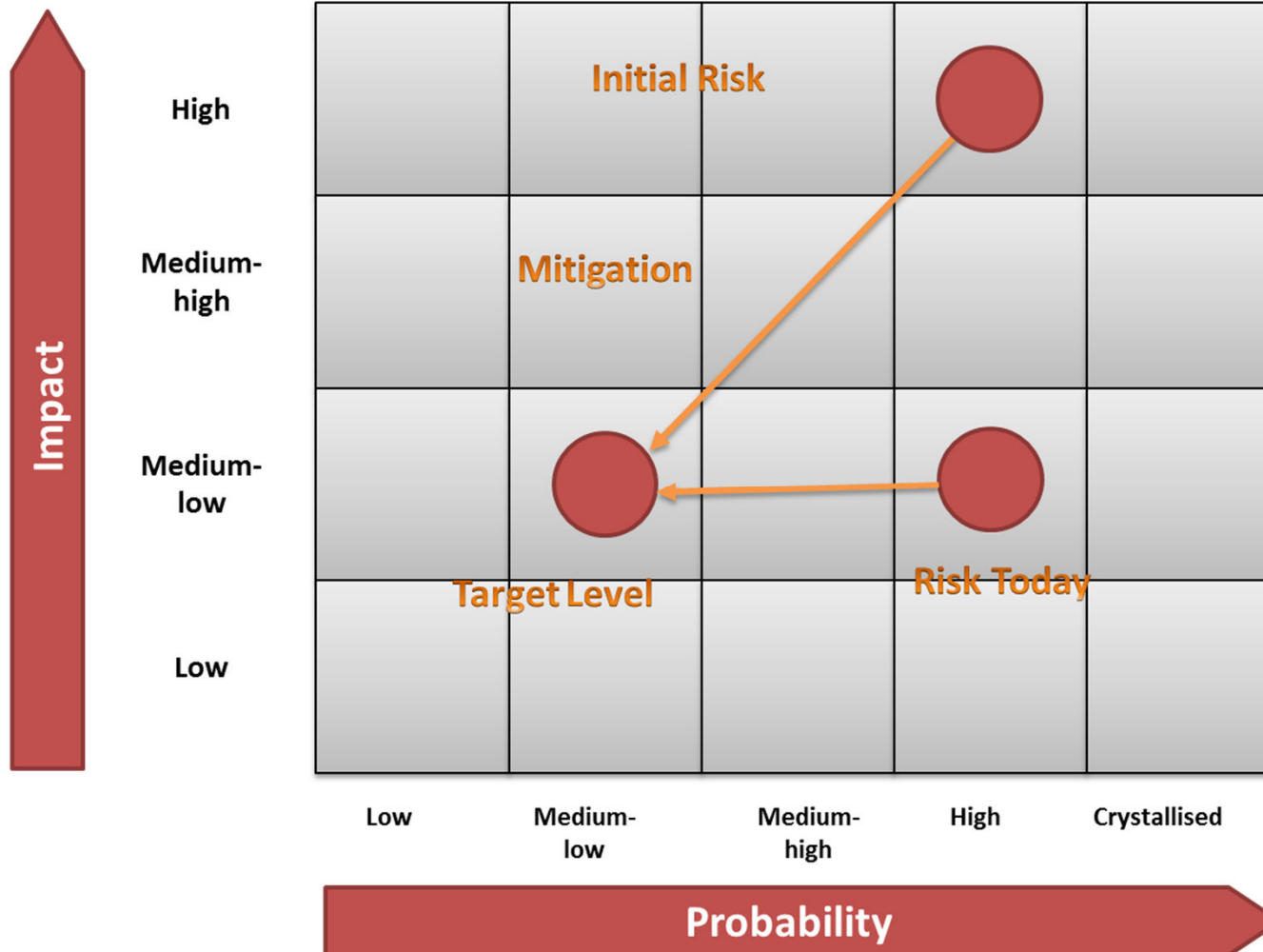
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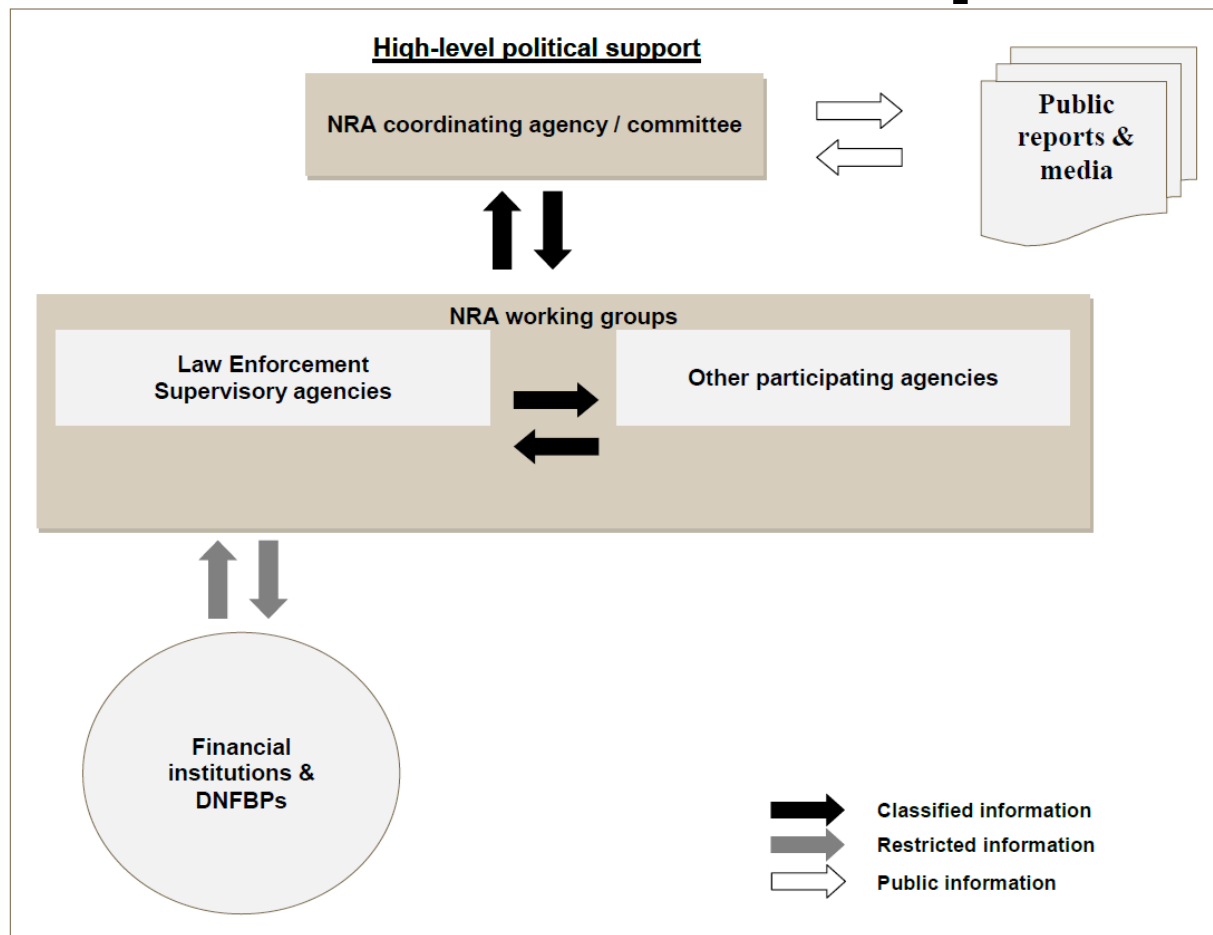




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# Interrelationships between contributors to the NRA process\*



\* Source FATF



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# Organization

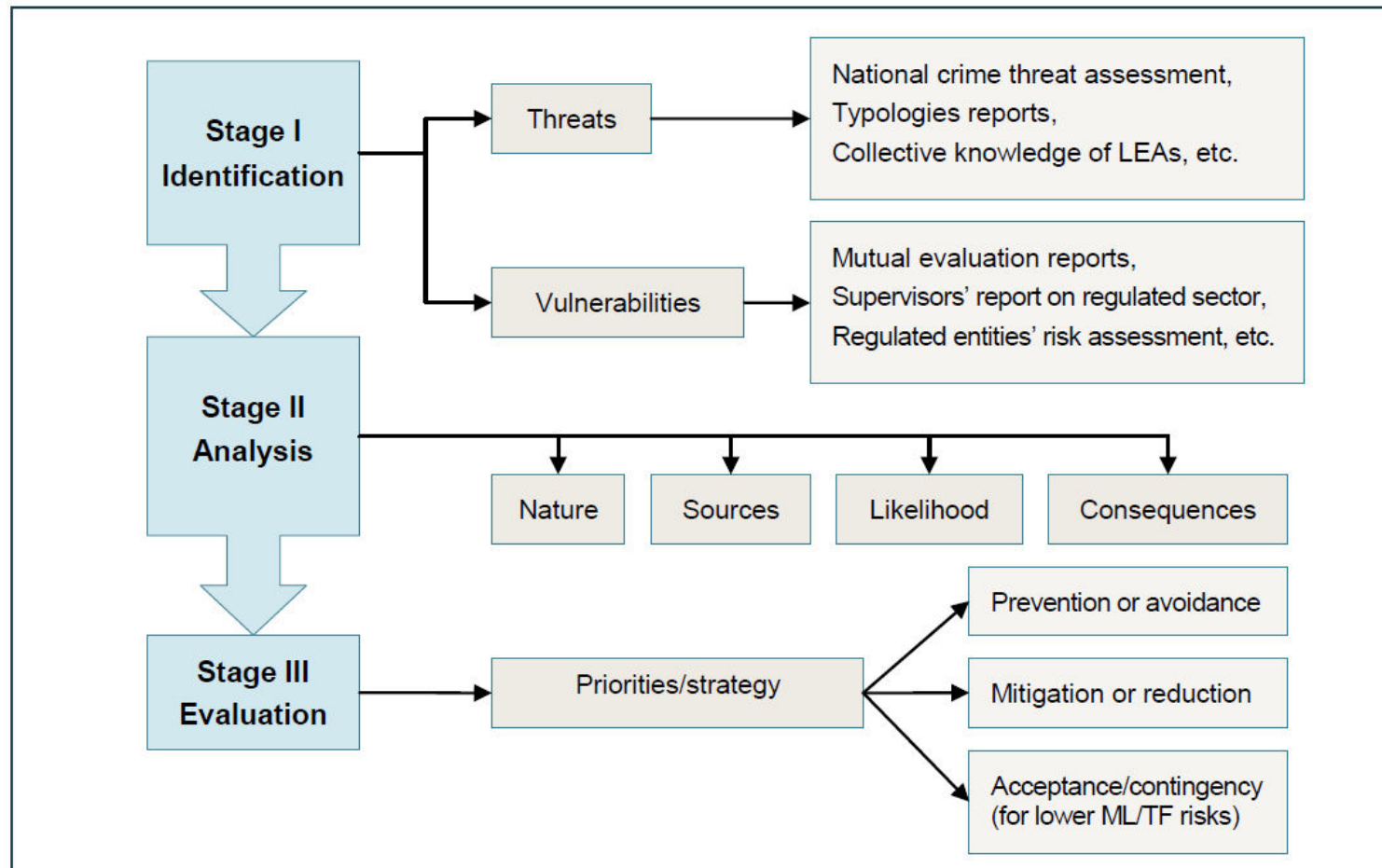




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# ML/TF Risk Assessment Process\*



\* Source FATF





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# One set of guidelines, three different approaches



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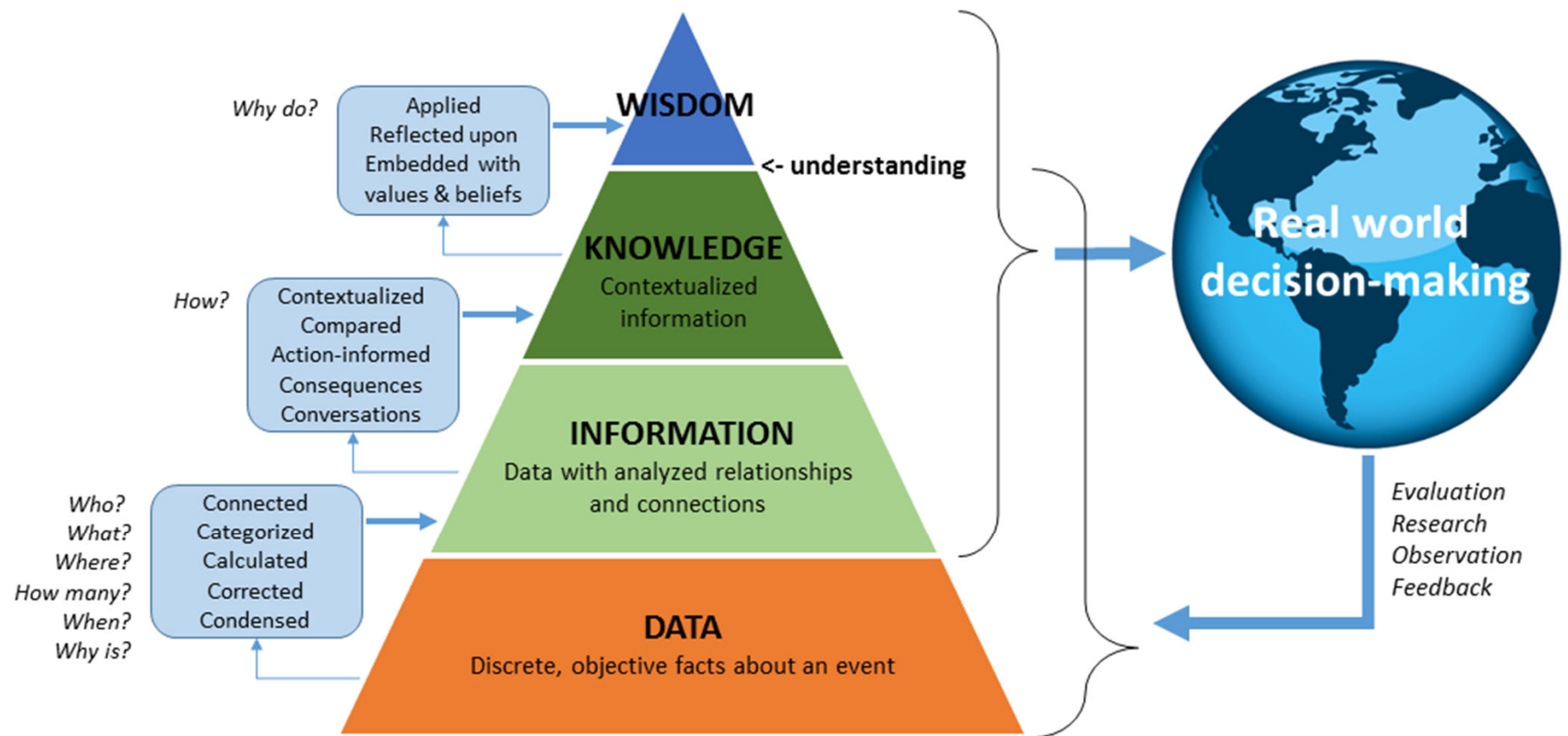
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## John Grajales

- Technical Specialist
  - Department against Transnational Organized Crime (DTOC)
  - Secretariat for Multidimensional Security
  - [jgrajales@oas.org](mailto:jgrajales@oas.org)
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