

Importance of sectorial risk assessments: The Ecuador experience



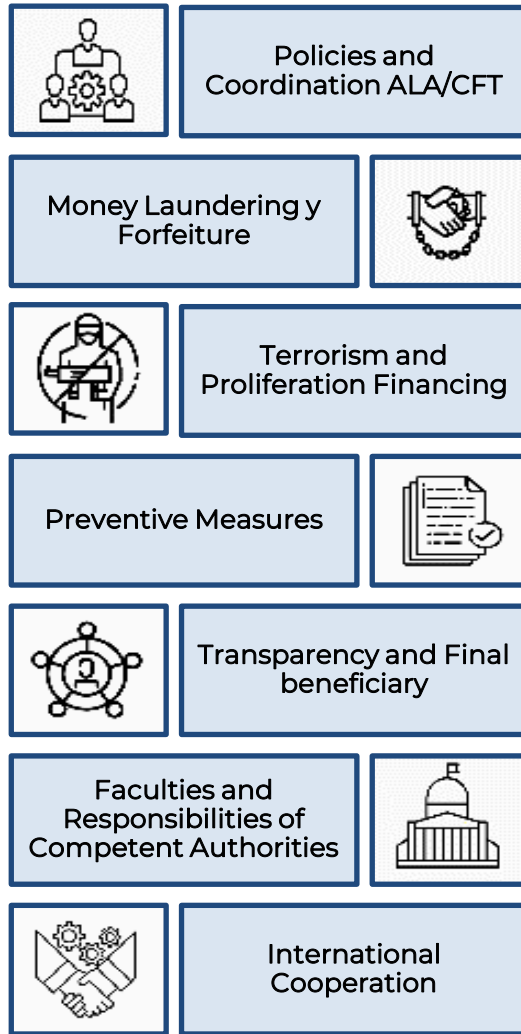
Financial and Economic Analysis Unit

GAFI Recommendation S


**Gobierno
del Ecuador**

**GUILLERMO LASSO
PRESIDENTE**

Recomendaciones GAFI



International standard against money laundering and the financing of terrorism (AML/CFT)

Comprehensive and consistent set of measures that countries must implement to combat money laundering and the financing of terrorism, as well as the financing of the proliferation of weapons of mass destruction.



The 40 Recommendations of the GAFI set an international standard that countries should implement through measures tailored to their specific circumstances.

Updates



GAFI standards are periodically reviewed to strengthen requirements for higher-risk situations, enabling all countries to focus more on areas where implementation could be improved.

Recommendation 1

Recommendation 1: Risk Assessment and Application of a Risk-Based Approach.



Identify



Evaluate



Understand

Apply a risk-based approach (RBA) to ensure that preventive or mitigating measures are proportional to the identified risks.

Financial
Institutions

Designated Non-Financial
Businesses and Professions
(APNFD)

1st Recommendation: Sectorial Risk Assessment of LA/FT

National Risk Assessment (NRA)

Its purpose is to assess the risks within a country as a whole, analyzing various economic, political, social, geographical, and other variables.

Closely related concept




Sectoral Risk Assessment

It follows the principles and criteria established for the ENR.

The assessment activity focuses on a more restricted scope, both geographically (a specific territory within a country) and materially (a specific sector of economic or professional activity), with the latter being the most common.

- Preliminary Phase
- Planning
- Development
- Results Presentation
- Results Analysis (exploitation of results)



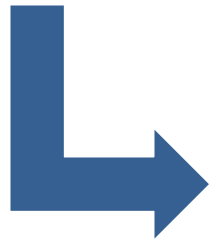
Results

Mutual Evaluation Process

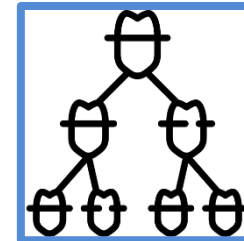
Mutual Evaluation Report of the Republic of Ecuador

Immediate Outcome 1: Risk, Policy, and Coordination

- National Risk Assessment of ML/TF (published in 2021)
- Sectorial risk assessment to identify categories of OSFL at risk of being misused for FT
- Risk analysis evaluation of money laundering in the Microfinance sector.



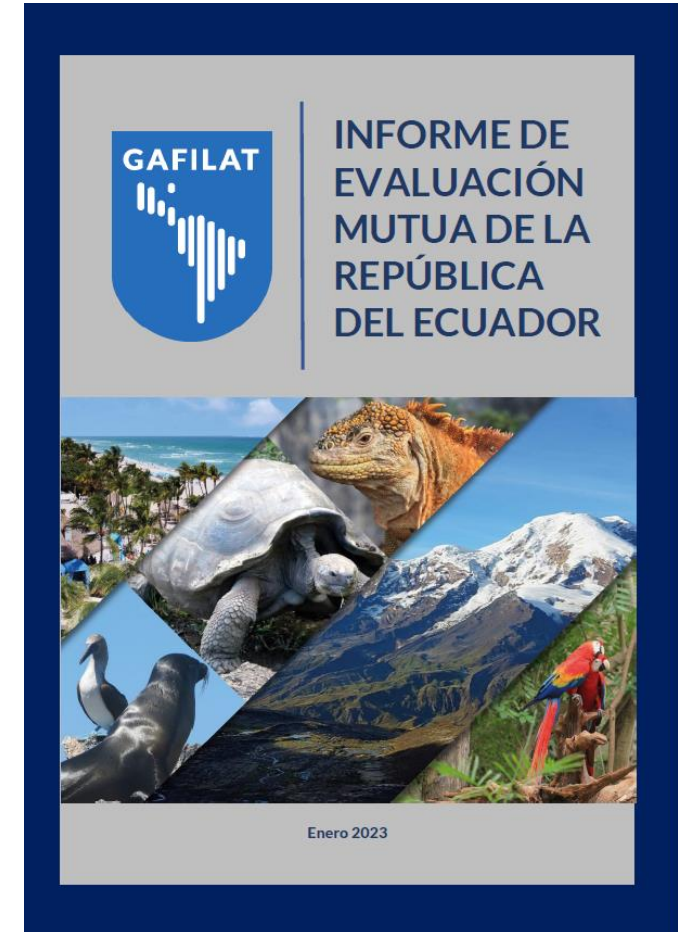
- Money laundering typologies, patterns, and red flag indicators
- Highly Reporting Entities
- High-denomination banknotes



Mutual Evaluation Report of the Republic of Ecuador

Immediate Outcome 1: Risk, Policy, and Coordination

- *Ecuador has made significant efforts in the identification, understanding, and assessment of ML/TF risks. In particular, the development of a National Risk Assessment (2021) stands out, which incorporated inputs from all key stakeholders in the ALA/CFT system, both from the public and private sectors, and generally reflects the threats, vulnerabilities, and ML/TF risks affecting the country to a large extent.*
- *Additionally, the country has conducted strategic studies, typologies, alerts, risk matrices, and technological tools that contribute to a widespread understanding of such risks.*
- *In addition to the National Risk Assessment, the country has undertaken several studies that have contributed to the understanding of ML/TF risks affecting the country.*



Update of National Risk Assessment on ML/TF/FP

Interpretative Note to Recommendation 1: Countries should keep risk assessments up to date.



Workshop ENR
Jan 30-31, 2023

Participantes:

- Expertas Banco Mundial
- Delegados Sector Público
- Delegados Sector Privado

Sectorial Assessments

- Tax Crimes
- Environmental and Natural Resource Crimes
- Legal Persons and Structures
- Virtual Assets and Virtual Asset Service Providers
- Non-Profit Organizations - Terrorism Financing



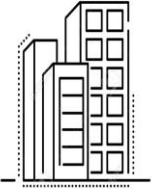
Update period 2018-2022



Sectorial Risk Assessments



Sectorial Risk Assessment



COMPANY

INDIVIDUALS AND LEGAL ENTITIES

- Mapping exercise
- LA/FT threat assessment
- Risk assessment by entity type
- National vulnerability assessment



TAX CRIME

- Threat (domestic tax evasion and money laundering)
- Vulnerability (domestic tax evasion: evasion practices and cross-border schemes)



Foundation

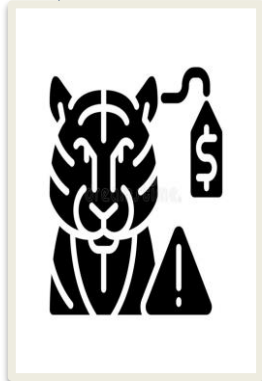
NON-PROFIT ORGANIZATIONS (NPOs)

- Identifying all NPOs that meet the GAFI definition
- Evidence of the level of misuse of NPOs for FT
- Assessment of inherent risks (threat and vulnerability)
- Mitigating factors



VIRTUAL ASSETS AND VASP

- Identify the overall interaction of VA, VASP, and AML/CFT
- Identify and assess the ML/TF threat and vulnerability of VAs
- Risk mitigation



ENVIRONMENTAL AND NATURAL RESOURCE CRIMES

- Threat and vulnerability analysis:
- Illegal logging and trade of timber
- Poaching and trafficking of protected flora and/or fauna species
- Illegal extraction and trade of minerals and gemstones
- Trade and dumping of hazardous waste and crimes related to pollution

Thank you!