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## PROTECTION OF THE NATIONAL FINANCIAL SYSTEM FROM THE MONEY LAUNDERING AND TERRORISM FINANCING \*

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**Abstract.** The contribution deals with national risk assessment of the money laundering and the terrorism financing at the national level. The contribution shows what are decisive criteria to evaluate the national system of anti-money laundering and counter terrorism financing examining the legal frame, the institutional frame, the competency of the personnel, the infrastructure to prevent, avoid and respond such a threat. It identifies how every product, sector and all designed non-financial business and professions should be evaluated. It elaborates on the factors that may aggravate or mitigate the risks of the proposed variables. The contribution tries to draw a complexity of conducting the national risk assessment as well it hints what may be the data sources for the evaluating process. It compares the variables, its risks and description with the FATF recommendations, FATF methodology and FATF risk assessment as the main open sources but goes further and tries to adjust it to the local level and makes it “more customizing”.

**Keywords:** effectiveness, criminal proceeding, confiscation of assets, sanction, vulnerability, statistics

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**JEL Classifications:** K14, G1, G3, G4

**Additional disciplines:** Criminal Law

### 1. Introduction

As a part of our long-term scientific project we have developed risk assessment tool to evaluate the threats of the money laundering and terrorism financing in the country. The proposed criteria are drafted to be fully compliant with the FATF standards and methodologies with the possibility to put in the national specifics and adjustments.

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The main purposes of the Anti-money laundering (following as “AML”) and counter-terrorist financing (following as “CTF or TF”) risk assessment<sup>†</sup> are:

- to identify<sup>‡</sup> the vulnerability of each of the (relevant) businesses and professions that make up the country’s financial sectors and designated non-financial businesses and professions,
- to identify businesses/professions of high vulnerability and identify, on a needs basis, the products/services offered by the businesses/professions with high ML/TF vulnerability and
- to prioritize the action plans that will strengthen anti-money laundering controls (AML/TF controls) in the sectors.
- The ML/CTF Risk Assessment should be used to inform policy measures and improve data collection. ML and TF cases may take a long time to investigate, prosecute, and adjudicate. Considering that in many countries CTF regimes have only recently been adopted, data collection periods will also depend on the availability of the data.<sup>§</sup>

To conduct such an assessment the following list provides sources that can be used for completing the assessment:<sup>\*\*</sup>

- Statistics (national and international).<sup>††</sup>
- Intelligence.
- Interviews with relevant authorities/interest groups/market participants.<sup>‡‡</sup>
- Focus group meetings with relevant authorities/interest groups/market participants.<sup>§§</sup>
- Surveys of general public or focus groups.<sup>\*\*\*</sup>
- Reports by international organizations (e.g., United Nations, World Bank Group, International Monetary Fund, World Customs Organization, and World Trade Organization).
- Reports by international standard-setting bodies (e.g., Financial Action Task Force and FATF Style Regional Bodies).
- Reports by governments/think-tanks/civil society organizations/private institutions.<sup>†††</sup>
- Books/articles/reports based on academic research.
- Press/internet/other sources of public information.

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<sup>†</sup>FATF Methodology FATF, 2013 p. 6, Available on: <http://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology-March%202017-Final.pdf>.

<sup>‡</sup>Acc. FATF National Moneylaundering and Terrorist Financing Risk Assessment, FATF, 2013 p. 3, Available on: <http://www.fatf-gafi.org/publications/methodsandtrends/documents/nationalmoneylaunderingandterroristfinancingriskassessment.html>,

<sup>§</sup>Inter alia Acc. 1. Recommendation of the FATF recommendation, 2016, available at: [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf). Also see FATF Methodology FATF, 2013 p. 6, Available on: <http://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology-March%202017-Final.pdf>

<sup>\*\*</sup>Acc. FATF National Moneylaundering and Terrorist Financing Risk Assessment, FATF, 2013 p. 13-16, Available on: <http://www.fatf-gafi.org/publications/methodsandtrends/documents/nationalmoneylaunderingandterroristfinancingriskassessment.html>, FATF Methodology FATF, 2013 p. 23-25, Available on: <http://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology-March%202017-Final.pdf>.

<sup>††</sup>Inter alia Acc. recommendation 33 of the FATF recommendations, FATF, 2016 ,Available at: [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf)

<sup>‡‡</sup>Inter alia Acc. recommendation 33 and 34 of the FATF recommendations, FATF, 2016 ,Available at: [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf)

<sup>§§</sup>Inter alia Acc. recommendation 33 and 34 of the FATF recommendations, FATF, 2016 ,Available at: [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf)

<sup>\*\*\*</sup>Inter alia Acc. recommendation 33 and 34 of the FATF recommendations, FATF, 2016 ,Available at: [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf)

<sup>†††</sup> Inter alia Acc. recommendation 33 and 34 of the FATF recommendations, FATF, 2016 ,Available at: [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf)

## 2. AML risk assessment

This assessment applies to each relevant product within the financial sector and business sector and profession within the non-financial sector as DNFBP. This means that all the firms and individuals in the assessed business/profession need to be assessed together per business/profession type. The AML control variables are as follows.<sup>†††</sup>

### 2.1. Size of the product/business/profession<sup>§§§</sup>

This variable assesses the total number of a particular product provided by the assessed business/profession (if applicable).<sup>\*\*\*\*</sup>

The total number of a particular product may be indicative of the level of ML vulnerability that this product can introduce into the assessed business/profession (if the relevant risks are not mitigated).

The actual number of product provided may be very difficult to determine. What is required is a judgment as to whether or not the scale of the number of the product provided is significant in the assessed country's economy.

The objective of this indicator is to assess the importance of a particular product within the assessed business/profession, in comparison to other products offered by the assessed business/profession. The most appropriate indicator of the total number of a product in the business/profession depends on the nature of the product being assessed.

This variable includes also the total number of providers (firms and individuals) in the business/profession. This information is taken to be indicative of the level of ML vulnerability that they can introduce into the business/profession (if the relevant risks are not mitigated). For some categories (especially unregulated ones), the actual number of providers may be difficult to determine.

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<sup>†††</sup>Acc. FATF National Moneylaundering and Terrorist Financing Risk Assessment, FATF, 2013 p. 13-16, Available on: <http://www.fatf-gafi.org/publications/methodsandtrends/documents/nationalmoneylaunderingandterroristfinancingriskassessment.html>.

<sup>§§§</sup>Inter alia Acc.recommendation 1,10 and 11 of the FATF recommendations, FATF, 2016 ,Available at: [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf) and FATF Methodology FATF, 2013 p. 13,132, Available on: <http://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology-March%202017-Final.pdf>.

<sup>\*\*\*\*</sup>Possible sources of the data on total number products and providers (firms and individuals, licensed and unlicensed) within the assessed business/profession: Interviews/consultations with regulatory/supervisory authority (e.g., a self-regulatory bodies (further as "SRB") or other competent authority); Interviews/consultations with assessed business/profession's representatives, including an SRB and professional associations; Surveys of management and staff of firms that make up the assessed business/profession; Interviews with and data compiled by private sector research or consulting firms.

It needs to be considered also whether the particular product can be provided in the jurisdiction only by licensed businesses or professionals, or are permitted to be provided by "informal" or unlicensed firms and individuals (including informal trustees such as friends and family who serve as trustees of wills/estates or a business providing company secretarial services without a need for licensing as such); and/or are not permitted within the jurisdiction, but the product is being provided by "informal" or unlicensed firms and individuals (because of lack of clarity in the laws or regulations or lack of effective enforcement against unlicensed firms or individuals). A.g. compare inter alia to .recommendation 1,10 and 11 of the FATF recommendations, FATF, 2016 ,Available at: [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf) and FATF Methodology FATF, 2013 p. 13,132, Available on: <http://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology-March%202017-Final.pdf>.

The most appropriate indicator of the total number of providers within the business/profession depends on the nature of the product being provided. In other words, if the country licenses company service providers, but unlicensed company services firms or individuals are also permitted to provide such services, efforts should be made to ascertain (even if only a best estimate) the number of both licensed and unlicensed providers. For lawyers and other professionals, consider only the number of those that provide financial intermediary services. It may indicate a problem itself, if the country is not able to identify the number of providers.

## 2.2. Product business/profession client base<sup>+++</sup>

This variable assesses whether the type of client that generally uses the product or the business/profession being assessed increases the risks of money laundering abuse of the assessed product or business/profession.

The term “client” may refer to natural persons or legal persons or arrangements; they may also be end-users of the business/profession or professional intermediary firms through which products are provided to the end-users.

All forms of clients should be considered in the assessment. The client-base profile of the business/profession should be assessed to carry a higher risk if it involves<sup>++++</sup>: Domestic/international politically exposed persons (further as “PEPs”), High net-worth individuals, Nonresident clients, particularly from high-risk jurisdictions, Clients with foreign business or personal interests, Clients with business links to known high-risk jurisdictions, Clients with criminal records or past administrative and/or supervisory actions against them; Clients that are legal entities or arrangements with a complex, opaque ownership and control structure (including layered ownership and control, multijurisdictional or involve high-risk jurisdictions); Clients obtained through introduced business, particularly from unregulated professional intermediaries or regulated PIs in jurisdictions with low AML controls (including customer due diligence (further as “CDD”) and recordkeeping, availability and timely access to beneficial ownership of legal entities and legal arrangements, licensing and supervision, and enforcement); Professional intermediaries in jurisdictions with low or no CDD requirements; Professional intermediaries in high-risk businesses/professions in country context.

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<sup>+++</sup>Inter alia Acc. recommendation 10 and 11 of the FATF recommendations, FATF, 2016 ,Available at: [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf) and FATF Methodology FATF, 2013 p. 40-47, Available on: <http://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology-March%202017-Final.pdf>.

<sup>++++</sup>Possible sources of the relevant data: Regulatory framework for risk-based classification of clients; Regulatory framework for identifying and monitoring foreign and domestic PEPs; Any product-related statistics on PEPs and other higher-risk clients; Data on jurisdictions of origin of end-user clients and professional intermediary firms; Financial sector and DNFBP sector data by business/profession on transactions with high-risk jurisdictions; Data on clients obtained through introduced business; Interviews/consultations with regulatory/supervisory authority (e.g., an SRB or other competent authority); Interviews/consultations with assessed business/profession’s representatives, including an SRB and professional associations; Surveys of management and staff of firms that make up the assessed business/profession; Interviews with and data compiled by private sector research or consulting firms; Criminal data, including typologies on high-risk clients and ML cases where a business/profession was used for ML by high-risk clients; Statistics on and information from the business/profession with regard to high-risk clients; Statistics on the foreign jurisdictions where mutual legal assistance (following as “MLA”) or informal information sharing requests were received and sent by relevant authorities, including by supervisors, law enforcement, the Financial Intelligence Unit (following as “FIU”) , and tax authorities.

See also: FATF Methodology FATF, 2013 p. 40-47, Available on: <http://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology-March%202017-Final.pdf>.

While assessing the client-base profile for each product and business/profession, it needs to be assessed whether this business/profession is being used by clients who pose a higher ML risk, when compared to “standard” clients.<sup>§§§§</sup>

To assess this variable, one should determine if the assessed product and business/profession has put in place appropriate mechanisms to identify and monitor high-risk individuals (including PEPs).

If such monitoring/analysis mechanisms are not in place, the business/profession may not be able to provide such information. It needs to be carried out certain activities (including acting as financial intermediaries and incorporation services), are required to undertake customer due diligence, which includes verification of the beneficial ownership of legal persons and legal arrangements.

Thus, the financial institutions and DNFBPs should be able to identify nonresident clients, and determine which kinds of products they use. A more advanced analysis, based on the countries that such non-resident clients originate from, will provide further insight into the risk level. Assessment of this indicator will require judgment, unless the country has appropriate mechanisms for identifying and monitoring high-risk clients (including PEPs). If there is no data that can support the assessment, one should work on the basis of the worst-case scenario and be conservative in its assessment since the lack of ability to analyze the client-base profile will pose a risk in itself.<sup>\*\*\*\*\*</sup>

### **2.3. Level of cash flows within the business/profession<sup>††††</sup>**

This variable is associated with the level of cash activity associated with a specific business/profession, both whether the use of cash is permitted and to what extent that occurs. The more the business/profession being assessed is cash-based, the greater its vulnerability to money laundering.<sup>††††</sup>

### **2.4. Other vulnerabilities of the business/profession<sup>§§§§§</sup>**

This variable is linked whether there are any additional factors that render a particular business/profession vulnerable to the risk of money laundering.

The presence of the following typical factors may increase the ML vulnerability of the assessed business/profession<sup>\*\*\*\*\*</sup>: Use of agents<sup>†††††</sup>, Possible anonymous use of the product in the

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<sup>§§§§</sup>Inter alia Acc. recommendation 12 of the FATF recommendations, FATF, 2016 ,Available at: [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf). and FATF Methodology FATF, 2013 p. 40-47, Available on: <http://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology-March%202017-Final.pdf>.

<sup>\*\*\*\*\*</sup>Risk based approach

<sup>†††††</sup>Inter alia Acc. recommendation 14, 15 and 16 of the FATF recommendations, FATF, 2016 ,Available at: [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf)

<sup>†††††</sup>Possible sources: Interviews/consultations with regulatory/supervisory authority (e.g., an SRB or other competent authority); Interviews/consultations with assessed business/profession’s representatives, including an SRB and professional associations; Surveys of management and staff of firms that make up the assessed business/profession; Interviews with and data compiled by private-sector research or consulting firms; Criminal data, including ML cases where a business/profession was used for ML because of the possibility of transacting in cash (including payment of fees for service provided).

<sup>§§§§§</sup>Inter alia Acc. recommendation 14, 17,24,25 of the FATF recommendations, FATF, 2016 ,Available at: [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf)

<sup>\*\*\*\*\*</sup>Possible Sources of Information and Data: Criminal data, including ML cases where a business/profession was used for ML, indicating vulnerability due to the above-mentioned factors; Data or statistics and qualitative information from MLA and formal or informal requests from supervisory authorities, law enforcement, the FIU, and tax and other relevant authorities to share information/intelligence; Interviews/consultations with regulatory/supervisory authority (e.g., an SRB) and other

business/profession<sup>+++++</sup>, Difficulty in tracing the transactions (including attorney/client privilege and professional secrecy for lawyers and accountants; work [document]/product privilege), Existence of ML typologies on the abuse of the business/profession, Use of the business/ profession in tax/fraud schemes, Non-face-to-face interaction with the client<sup>+++++</sup>.

A further example of a vulnerability factor is the use of agents or other professional intermediaries to deliver the product. In this case, ML vulnerability may be increased due to the weak AML systems of the agents or professional intermediaries (including weak systems of the countries in which they operate or reside). To limit vulnerability, the agents or professional intermediaries should be subjected to adequate AML controls and monitoring/supervision by the principal of the financial institution or the business/profession in the country providing the product<sup>+++++</sup>.

It should be assessed whether anonymous use of the product is possible for the assessed product or assessed business/profession. Also, please consider whether the beneficial owner of the transaction is always identified and verified. Does the business/profession allow for anonymous use (where a firm or an individual known to the assessed business/profession uses the product on behalf of several firms or individuals who are unknown to the business/profession)? Anonymous transactions are vulnerable to money laundering, as the beneficial owner(s) of the funds involved in the transaction is/are not known or are unverified. The transaction is executed for the client on behalf of others. The real owners are not known and hence not subjected to customer due diligence.<sup>+++++</sup>

It should be assessed whether transactions executed in the course of delivery of a product by the business/profession are properly recorded and whether access to those records can be readily obtained for CDD/Enhanced due diligence (following as “EDD”). The difficulty in tracing the records would depend on the quality of the assessed business/profession’s AML CDD and record-keeping systems. For example, the overbroad application or misuse of professional secrecy and privilege provisions, which may also hinder timely access to relevant records by competent authorities.

Existence of ML typologies on the abuse of the product or business/profession means whether the business/profession is known for abuse for ML purposes. This does not necessarily need to be in the country context. It should be considered also the global level, regardless of whether it was detected or not detected in the country.<sup>+++++</sup>

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competent authorities; Interviews/consultations with assessed business/profession’s representatives, including an SRB and professional associations; Surveys of management and staff of firms that make up the assessed business/profession; Interviews with and data compiled by private-sector research or consulting firms.

See also FATF Methodology FATF, 2013 p. 49-54, Available on: <http://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology-March%202017-Final.pdf>.

<sup>+++++</sup>Inter alia Acc. recommendation 17 of the FATF recommendations, FATF, 2016 ,Available at: [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf)

<sup>+++++</sup>Inter alia Acc. recommendation 24 and 24 of the FATF recommendations, FATF, 2016 ,Available at: [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf).

<sup>+++++</sup>Inter alia Acc. recommendation 17,24 and 25 of the FATF recommendations, FATF, 2016 ,Available at: [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf).

<sup>+++++</sup>Acc. FATF Methodology FATF, 2013 p. 48, Available on: <http://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology-March%202017-Final.pdf>.

<sup>+++++</sup>Acc. FATF Methodology FATF, 2013 p. 48, Available on: <http://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology-March%202017-Final.pdf>.

<sup>+++++</sup>Acc. FATF National Money laundering and Terrorist Financing Risk Assessment, FATF, 2013 p. 43-44, Available on: <http://www.fatf-gafi.org/publications/methodsandtrends/documents/nationalmoneylaunderingandterroristfinancingriskassessment.html>

Assess the use of the business/profession in fraud or tax evasion schemes or other predicate offenses. For this purpose, it may be useful to refer to crime and tax enforcement data to find the businesses/professions that are most vulnerable to actual and potential misuse. The use of the business/profession in tax evasion or fraud schemes or other predicate offenses may indicate a vulnerability to ML abuse as well. §§§§§§§§

Availability of non-face-to-face initiation of a business relationship with respect to a product or a business/profession (or product) raises ML vulnerability. If an individual is able to secure the product via the internet or telephone with no face-to-face contact with the professional or business, there is ML vulnerability. Even in the cases where non-face-to-face initiation of a product is not allowed, but non-face-to-face use of the product is, there is a possibility of ML vulnerability. But in the second case, the vulnerability of the product can be less, depending on the quality of CDD/EDD done during the face-to-face product initiation and existence of other controls that limit the use of the product by persons other than the account holder.

## 2.5. Legal framework\*\*\*\*\*

It should be assessed whether a country has comprehensive AML laws and regulations regarding AML preventive measures and AML supervision for the assessed product in the financial sector and business/profession within the nonfinancial sector. It is related to the AML legal and regulatory framework.

A country has comprehensive AML laws and regulations on preventive measures and supervision in force for the assessed business/profession if they conform to international standards on customer CDD (risk-based, including verification of beneficial ownership of customers that are natural persons and legal entities and legal arrangements) and record-keeping. It should include the enhanced DD for PEPs and high-risk countries and reliance on Customer Due Diligence by third parties, including introduced business, sufficient Suspicious Transaction Reporting (following as “STR”) incl. tipping-off and confidentiality, internal controls, foreign branches, and subsidiaries and licensing and supervision for AML compliance.

## 2.6. Effectiveness of the Supervision††††††††

This assesses the effectiveness of AML supervision/oversight activities for the assessed business/profession. An effective supervisory regime is one that has a comprehensive legal and regulatory framework and is supported by appropriate powers and is well resourced, and which employs risk-based approach to on-site and off-site monitoring and inspections. ††††††††

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§§§§§§§§ Acc. FATF National Money laundering and Terrorist Financing Risk Assessment, FATF, 2013 p. 43-44, Available on: <http://www.fatfgafi.org/publications/methodsandtrends/documents/nationalmoneylaunderingandterroristfinancingriskassessment.html>

\*\*\*\*\* Inter alia Acc. recommendation 20-28 of the FATF recommendations, FATF, 2016 ,Available at: [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf)

†††††††† Inter alia Acc. recommendation 26,27 and 28 of the FATF recommendations, FATF, 2016 ,Available at: [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf)

†††††††† Possible sources for this assessment it should be consulted: Relevant laws and regulations, policies, procedures, and manuals (including how the risk-based approach is determined); Statistics on the number of supervisory staff, and information on their training, knowledge, and skills; Information on the type(s) and methods of off-site supervision activities and findings; Statistics on the number of firms/professionals actually being monitored or inspected (on-site/off-site), and information as to scope, frequency, and intensity of the supervision/ oversight activities; Statistics and information on main findings of on-site/off-site inspections; Interviews/consultations with regulatory/supervisory authority (may be a SRB) and other competent authorities; Interviews/consultations with assessed business/profession’s representatives, including a SRB and professional associations; Surveys of management and staff of firms that make up the assessed business/profession.

The AML supervision/oversight activities are effective where the supervisory body (which can be a self-regulatory body or both, depending on country practice) is clearly identified in the laws and regulations and has appropriate authority and mandate to conduct AML compliance supervision. When it carries out its supervisory activities within a comprehensive supervisory framework that includes clear supervision policies, procedures, and manuals. It possesses good understanding and appreciation for the ML risks of the assessed business/profession. It has sufficient number of staff and trains the staff and equips them with necessary skills and up-to-date knowledge— including understanding of the nature of the firms and clients and the products of the assessed business/profession—to carry out AML supervision. It has other necessary resources to ensure AML compliance (such as the technical capacity, budget, and tools). It carries out a comprehensive, risk-based supervisory program that consists of on-site and off-site monitoring and on-site inspections on both regularly scheduled cycles and periodic spot-checks (risk-based and as necessary). It reports and records the examination results in a systematic way and is able to effectively use these records for policy purposes. It exercises moral suasion that has a significant impact on the assessed business/profession's management and is sufficient to positively influence behavior patterns. It can be demonstrated that supervisory powers are exercised effectively and impartially. §§§§§§§§

## 2.7. Availability and Enforcement of Non criminal (Administrative) Sanctions §§§§§§§§

This variable assesses whether the country has a wide range of effective, proportionate and dissuasive administrative sanctions applicable to natural or legal persons in case of noncompliance with AML laws and regulations. †††††††† Sanctions should be applicable to firms as well as individual directors, management and staff. The more the sanctions are effective, proportionate and dissuasive, the more likely it is that management and staff members will comply with AML laws and obligations. ††††††††

It includes also the assessment whether the country takes administrative enforcement actions against a firm or individual members of management or staff in case of noncompliance with AML obligations. Consider the number of administrative actions taken against the firms and their staff. §§§§§§§§

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§§§§§§§§ FATF Methodology FATF, 2013 p. 69-72, Available on: <http://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology-March%202017-Final.pdf>.

\*\*\*\*\* Inter alia Acc. recommendation 26,27 and 28 of the FATF recommendations, FATF, 2016 ,Available at: [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf). Also see FATF Methodology FATF, 2013 p. 69-72, Available on: <http://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology-March%202017-Final.pdf>.

†††††††† Possible sources of information and data: Specific legal and regulatory provisions on administrative sanctions; Statistics on numbers (by type) of past administrative enforcement actions by relevant authorities; Information as to steps taken (or not taken) by the assessed business/profession to remedy infractions; Interviews/consultations with regulatory/supervisory authority (may be a SRB) and other competent authorities; Interviews/consultations with assessed business/profession's representatives, including a SRB and professional associations (including as to forms of sanctions they enforce, such as disciplinary hearings or revocation of membership); Surveys of management and staff of firms that make up the assessed business/profession.

Acc. FATF National Money laundering and Terrorist Financing Risk Assessment, FATF, 2013 p.39-41 , Available on: <http://www.fatfgafi.org/publications/methodsandtrends/documents/nationalmoneylaunderingandterroristfinancingriskassessmentent.html> and acc. FATF Methodology FATF, 2013 p. 69-72, Available on: <http://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology-March%202017-Final.pdf>.

†††††††† Acc. FATF National Money laundering and Terrorist Financing Risk Assessment, FATF, 2013 p.39-41 , Available on: <http://www.fatf-gafi.org/publications/methodsandtrends/documents/nationalmoneylaunderingandterroristfinancingriskassessmentent.html>. Also see FATF Methodology FATF, 2013 p. 69-72, Available on: <http://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology-March%202017-Final.pdf>.

§§§§§§§§ Acc. FATF National Money laundering and Terrorist Financing Risk Assessment, FATF, 2013 p.39-41 , Available on: <http://www.fatf-gafi.org/publications/methodsandtrends/documents/nationalmoneylaunderingandterroristfinancingriskassessmentent.html>. Also



The following criteria indicate that effective, proportionate, and dissuasive administrative sanctions are in place- a wide range of administrative sanctions (such as monetary penalties, administrative actions and removal of critical staff, and suspension/revocation of business/professional licenses) in force for noncompliance with AML obligations. The administrative sanctions are sufficient to positively influence the assessed business/profession's firms' management and staff behavior. The following criteria indicate that a country enforces its AML obligations in case of noncompliance<sup>\*\*\*\*\*</sup>: Most persons working in the assessed business/profession believe that administrative enforcement action would be initiated in case of noncompliance with AML requirements. There is a record of administrative enforcement actions taken in the past by law enforcement authorities regarding noncompliance with AML requirements in the assessed business/profession.

The adequacy of the administrative sanctions may need to be assessed in context with the criminal sanctions. The balance and preference between the administrative and criminal sanctions may differ among countries.

## 2.8. Availability and Enforcement of Criminal Sanctions<sup>+++++++</sup>

This criteria assesses whether the country has a range of effective, proportionate and dissuasive criminal sanctions applicable to natural or legal persons in case of noncompliance with AML laws and regulations.<sup>\*\*\*\*\*</sup> This should include sanctions for serious and deliberate (or criminally negligent) breaches that can be ancillary to the money laundering offense. Sanctions should be applicable to firms (legal persons) and to individual managers and staff in relation to the conduct of their activities within or from the country.<sup>§§§§§§§§</sup>

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see FATF Methodology FATF, 2013 p. 69-72, Available on: <http://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology-March%202017-Final.pdf>.

<sup>\*\*\*\*\*</sup>Acc. FATF National Money laundering and Terrorist Financing Risk Assessment, FATF, 2013 p39-41 , Available on: <http://www.fatf-gafi.org/publications/methodsandtrends/documents/nationalmoneylaunderingandterroristfinancingriskassessment.html>.

and acc. FATF Methodology FATF, 2013 p. 69-72, Available on: <http://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology-March%202017-Final.pdf>.

<sup>+++++++</sup>Inter alia Acc. recommendation 3-7, 30-31 of the FATF recommendations, FATF, 2016 .Available at:

[http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf) and. acc. FATF Methodology FATF, 2013 p. 26-37, Available on: <http://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology-March%202017-Final.pdf>.

<sup>\*\*\*\*\*</sup>Possible information and data sources: Relevant laws (specific provisions on criminal sanctions and enforcement), including relevant ancillary offenses to ML; Statistics on past and ongoing criminal investigations, prosecutions, and convictions by domestic law enforcement and other relevant authorities with respect to the assessed business/profession; Statistics on criminal enforcement actions carried out by foreign law enforcement and other relevant authorities against the firms and individual members or staff of the assessed business/profession, and whether (and in what form and to what extent) the country provided informal or formal assistance to the investigation and prosecution; Interviews/consultations with regulatory/supervisory authority (e.g., a SRB, law enforcement agency, or prosecuting agency); Interviews/consultations with assessed business/profession's representatives, including an SRB and professional associations; Surveys of management and staff of firms that make up the assessed business/profession.

Compare to FATF National Money laundering and Terrorist Financing Risk Assessment, FATF, 2013 p.41-44, Available on: <http://www.fatf-gafi.org/publications/methodsandtrends/documents/nationalmoneylaunderingandterroristfinancingriskassessment.html>.

and FATF Methodology FATF, 2013 p. 26-37, Available on: <http://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology-March%202017-Final.pdf>.

<sup>§§§§§§§§</sup>Acc. FATF National Money laundering and Terrorist Financing Risk Assessment, FATF, 2013 p.41-44 , Available on:

<http://www.fatf-gafi.org/publications/methodsandtrends/documents/nationalmoneylaunderingandterroristfinancingriskassessment.html>.

and: acc. FATF Methodology FATF, 2013 p. 26-37, Available on: <http://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology-March%202017-Final.pdf>.

<sup>§§§§§§§§</sup>Acc. FATF National Money laundering and Terrorist Financing Risk Assessment, FATF, 2013 p.41-44 , Available on:

<http://www.fatf-gafi.org/publications/methodsandtrends/documents/nationalmoneylaunderingandterroristfinancingriskassessment.html>.

and: acc. FATF Methodology FATF, 2013 p. 26-37, Available on: <http://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology-March%202017-Final.pdf>.

The criteria assesses not only the legal framework, but also the actual enforcement actions against firms and individual members of management or staff (of the assessed business/profession) in cases of noncompliance with AML obligations.\*\*\*\*\*

The following criteria indicate that effective, proportionate, and dissuasive criminal sanctions are available and effective- There are appropriate criminal sanctions in force for noncompliance with AML obligations. Persons in the assessed business/profession regard the criminal sanctions regime as sufficiently dissuasive to positively influence individual behavior patterns. Criminal sanctions are also applicable for appropriate ancillary offenses to the offense of money laundering.

The following criteria indicate that a country enforces its AML obligations in case of noncompliance++++++:

- Most persons working with the product or in the business/profession believe that criminal enforcement action would be initiated in case of noncompliance with AML requirements.
- There is a record of convictions, and criminal enforcement actions taken in the past by law enforcement authorities regarding noncompliance with AML requirements in the assessed business/profession. Consider the number of investigations, prosecutions, and convictions, as well as other available evidence on enforcement.
- The criminal enforcement against the business/profession's firms and their staff with regard to other financial crimes (such as fraud) may also give an idea of the "enforcement perception" of the assessed business/profession.

## 2.9. Entry Checks Availability and Effectiveness\*\*\*\*\*

This variable assesses the availability and effectiveness of entry controls, including licensing, registration or other forms of authorization to operate. A country has effective entry controls if there is a comprehensive legal and regulatory framework, which provides authorities with appropriate powers and sufficient level of staff and other resources to carry out their duties vis-à-vis the assessed business/profession.\*\*\*\*\*

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\*\*\*\*\* Acc. FATF National Money laundering and Terrorist Financing Risk Assessment, FATF, 2013 p.41-44 , Available on:

<http://www.fatfgafi.org/publications/methodsandtrends/documents/nationalmoneylaunderingandterroristfinancingriskassessm ent.html>. and FATF Methodology FATF, 2013 p. 26-37, Available on: <http://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology-March%202017-Final.pdf>.

+++++ Acc. FATF National Money laundering and Terrorist Financing Risk Assessment, FATF, 2013 p.41-44 , Available on:

<http://www.fatfgafi.org/publications/methodsandtrends/documents/nationalmoneylaunderingandterroristfinancingriskassessm ent.html> and FATF Methodology FATF, 2013 p. 26-37, Available on: <http://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology-March%202017-Final.pdf>.

+++++ Inter alia Acc. recommendation 26,27 and 28 of the FATF recommendations, FATF, 2016 ,Available at: [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf). Also see FATF Methodology FATF, 2013 p. 69-72, Available on: <http://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology-March%202017-Final.pdf>.

\*\*\*\*\* Possible Sources of Information and Data: Licensing and registration laws and regulations, policies, procedures (including application forms and supporting documentation) and manual for supervisory staff; Statistics on license applications received and actually granted; Statistics and information on licenses not granted or later suspended or revoked for failure to meet AML controls; Interviews/consultations with regulatory/supervisory authority (may be a SRB) and other competent authorities; Interviews/consultations with assessed business/profession's representatives, including a SRB and professional associations; Surveys of management and staff of firms that make up the assessed business/profession.

Acc. FATF National Money laundering and Terrorist Financing Risk Assessment, FATF, 2013 p.39-41 , Available on: <http://www.fatfgafi.org/publications/methodsandtrends/documents/nationalmoneylaunderingandterroristfinancingriskassessm>

Effective entry controls help reduce money-laundering vulnerabilities and ensure a higher level of compliance with AML requirements, including preventing systemic problems in the assessed business/profession. The entry controls are effective if the licensing body is clearly identified in the laws and regulation, it possesses good understanding and appreciation for the ML risks of the assessed product or business/profession, it effectively carries out its licensing and entry controls duties, it has a clear and comprehensive framework for licensing and registration requirements for the assessed business/profession, including\*\*\*\*\*: A fit and proper test designed to prevent criminals or their associates from being granted a business or professional license or being the beneficial owner of a significant controlling interest in the business or holding a significant management position. Appropriate educational and professional certification requirements for key directors and senior management. Requirement for all licensees to have adequate AML compliance controls in place, including compliance manuals and appointment of well-qualified internal controls/compliance staff. Possesses adequate resources to ensure the quality implementation of entry controls for the assessed business/profession, including a sufficient number of well-trained and highly skilled personnel to screen, vet, and approve all applications and supporting documentation.

## 2.10. Integrity of the Staff\*\*\*\*\*

This variable assesses whether the directors, managers and staff of the firms (including sole practitioners) act with integrity. This means that the staff does not act in a willfully blind manner or collude with criminals or act corruptly. In addition, they take care that they do not become unwittingly involved as “innocent agents” on behalf of criminals seeking to use their products and specialized knowledge and skills.\*\*\*\*\*

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[ent.html](#) and acc. FATF Methodology FATF, 2013 p. 69-72, Available on: <http://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology-March%202017-Final.pdf>.

\*\*\*\*\* Acc. FATF National Money laundering and Terrorist Financing Risk Assessment, FATF, 2013 p.39-41 , Available on:

<http://www.fatfgafi.org/publications/methodsandtrends/documents/nationalmoneylaunderingandterroristfinancingriskassessm ent.html> . and acc. FATF Methodology FATF, 2013 p. 69-72, Available on: <http://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology-March%202017-Final.pdf>.

\*\*\*\*\* Inter alia Acc. recommendation 18-23 of the FATF recommendations, FATF, 2016 ,Available at: [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf).

\*\*\*\*\* Possible Sources of Information and Data: Relevant laws/regulations (including specific provisions on confidentiality mechanisms in place for the staff when reporting suspicious or other relevant transactions); Information as to staff vetting and training programs (of the assessed business/profession); Statistics on integrity breaches by the managers and staff in firms (of the assessed business/profession) and information on disciplinary actions taken; Statistics on the number of criminal cases, including money laundering cases, concerning staff of the firms in the assessed business/profession; Findings of firms’ (of the assessed business/profession) AML on-site inspections and off-site monitoring; Statistics on number (and types) of administrative enforcement actions against firms and individuals working in the assessed business/profession; Review of reports/records of internal control/compliance units in firms of the assessed business/profession; Historical data of incidents /breaches by staff (kept by firms for operational risk management purposes); General levels of integrity or the operating environment in the country (refer, for instance, to the Transparency International Corruption Perceptions Index); Assessed business/profession’s reputation on involvement in financial crimes, including tax evasion; Interviews/consultations with a regulatory/supervisory authority, which may be a SRB or other competent authority; Interviews/consultations with assessed business/profession’s representatives, including an SRB (particularly internal control or compliance units) and professional bodies; Surveys of management and staff of firms that make up the assessed business/profession.

Compare to FATF National Money laundering and Terrorist Financing Risk Assessment, FATF, 2013 p.39-40 , Available on: <http://www.fatfgafi.org/publications/methodsandtrends/documents/nationalmoneylaunderingandterroristfinancingriskassessm ent.html> . and acc. FATF Methodology FATF, 2013 p. 56-62, Available on: <http://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology-March%202017-Final.pdf>

If staff members collude with criminals or undermine AML controls by acting corruptly, firms are vulnerable to money laundering abuse. Consider the effectiveness of staff vetting programs in the assessed business/profession; the incidence of disciplinary action for breach of integrity-related rules; and the number of criminal cases against staff members. Professionals and staff of firms of the assessed business/profession act with integrity if the firms generally regard their staff members as secure from corruption by criminals. The incidence of integrity failure (e.g., negligent or “willful blindness” to suspicious transactions) involving the business/profession’s staff is low (but consider whether there is underreporting of incidences of integrity failure). There is an appropriate mechanism in place to protect the business/profession’s managers and staff against any negative consequences as a result of reporting suspicious transactions or other actions to comply with AML obligations. §§§§§§§§§§

## 2.11. AML Knowledge of the Staff\*§§§§§§§§§§

This variable assesses how well the professionals and staff of firms in the assessed business/profession know and understand their duties and responsibilities. Professionals and staff of firms in the assessed business/profession have the required AML knowledge if there are appropriate AML training programs and materials for professionals/staff. Training programs are designed to ensure that all appropriate staff members are trained. †††††††††† All professionals and staff members are required to undergo ongoing training to ensure that their knowledge of AML laws, policies, and procedures is appropriate and up-to-date. Keep in mind that if the firm conducts business with clients and professional intermediary firms in other jurisdictions, their knowledge should also extend to AML laws and regulations of those jurisdictions. Professionals/staff have a good knowledge of and are regularly updated on domestic and transnational money laundering schemes and typologies, including those involving the misuse of the business/profession and specialized knowledge and skills of its professionals and its products and services. Professionals/staff are aware of AML compliance and reporting procedures and obligations. ††††††††††

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§§§§§§§§§§ Acc. FATF National Money laundering and Terrorist Financing Risk Assessment, FATF, 2013 p.39-40 , Available on:

<http://www.fatfgafi.org/publications/methodsandtrends/documents/nationalmoneylaunderingandterroristfinancingriskassessment.html> and acc. FATF Methodology FATF, 2013 p. 56-62, Available on: <http://www.fatfgafi.org/media/fatf/documents/methodology/FATF%20Methodology-March%202017-Final.pdf>.

\*\*\*\*\* Inter alia Acc. recommendation 18-23 of the FATF recommendations, FATF, 2016, Available at: [http://www.fatfgafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatfgafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf).

†††††††††† Possible Sources of Information and Data: Relevant legal and regulatory framework pertaining to professionals and staff knowledge, including as part of entry controls/renewal of business or professional licenses or certifications; Statistics and information on overall quality of AML training activities by the firms of the assessed business/profession and whether such training is mandatory or voluntary; Data on frequency of training, hours of training, number of trainees, level and type of staff/professionals trained; Statistics on AML training given by authorities to individuals in the assessed business/profession; Information on AML training programs and training materials of firms (of the assessed business/profession); Findings of business/profession’s AML on-site/off-site inspections and monitoring; Interviews/consultations with regulatory/supervisory authorities (e.g., an SRB or other competent authority); Interviews/consultations with assessed business/profession’s representatives, including an SRB and professional associations; Surveys of management and staff of firms that make up the assessed business/profession.

Compare to FATF National Money laundering and Terrorist Financing Risk Assessment, FATF, 2013 p.39-40 , Available on: <http://www.fatfgafi.org/publications/methodsandtrends/documents/nationalmoneylaunderingandterroristfinancingriskassessment.html> and acc. FATF Methodology FATF, 2013 p. 56-62, Available on: <http://www.fatfgafi.org/media/fatf/documents/methodology/FATF%20Methodology-March%202017-Final.pdf>.

†††††††††† Acc. FATF National Money laundering and Terrorist Financing Risk Assessment, FATF, 2013 p.39-40 , Available on:

<http://www.fatfgafi.org/publications/methodsandtrends/documents/nationalmoneylaunderingandterroristfinancingriskassessment.html> and acc. FATF Methodology FATF, 2013 p. 56-62, Available on: <http://www.fatfgafi.org/media/fatf/documents/methodology/FATF%20Methodology-March%202017-Final.pdf>.





### 2.15. Availability of Reliable Identification Infrastructure\*\*\*\*\*

Financial transparency and customer identification and verification processes are enhanced when AML-regulated institutions are able to verify the identity of customers using reliable, independent source documents, data or information. A good identification infrastructure will also prevent the use of fake documents and false identities. Fake documents and false identities hamper the ability to detect and investigate money laundering and trace the proceeds of crime. Assessment criteria "A" good identification infrastructure exists and information is available if AML-regulated institutions can rely on the country's identification infrastructure. For instance, there is reliable and secure government or private sector documentation, data or information to identify and verify the identity of the clients. The infrastructure may consist of a secure national identification system with government-issued identity documents, whether issued by the national or a local authority, and/or comprehensive and reliable public information systems that assist in the verification of details of clients' details.

### 2.16. Availability of Independent Information Sources\*\*\*\*\*

This variable assesses the availability of independent and reliable sources of information to determine transaction patterns of clients. Customer due diligence processes are easier to perform, and are generally of a higher quality, if such sources are available. They can be used to identify or verify clients' transactional patterns and commercial history. Such information may include data held by credit bureaus, details of previous banking relationships, accessibility to former employers, and the availability of utility bills. Assessment criteria Independent and reliable information sources are available if sources of comprehensive and reliable historical financial information and other information about clients are available and can easily be accessed by AML-regulated institutions.

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\*\*\*\*\*Inter alia Acc.recommendation 10-11, 24-25, 33-34 of the FATF recommendations, FATF, 2016, Available at: [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf).

\*\*\*\*\*Possible sources: Information about the national identification system; Information on national identification (ID); infrastructure database and its suitability and availability for ID verification purposes (if available); Information on available identification documents and installed anti-counterfeit measures; Statistics (or experience) concerning the frequency of cases that involve the use of fraudulent ID documents; Statistics relating to the part of the population that lacks proper ID documents; Information on any community, social group (such as immigrant communities, tribes, etc.) whose members have no ID documents or have no access to ID documents; Discussions with reporting institutions on the usefulness of the identification infrastructure; Discussion of reasons why the national identification system and practices are not working ideally.

See acc. FATF National Money laundering and Terrorist Financing Risk Assessment, FATF, 2013 p.39-44, Available on: <http://www.fatfgafi.org/publications/methodsandtrends/documents/nationalmoneylaunderingandterroristfinancingriskassessm ent.html> and acc. FATF Methodology FATF, 2013 p.41-47,64-68, 79-80 Available on: <http://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology-March%202017-Final.pdf>

\*\*\*\*\*Inter alia Acc.recommendation 10-11, 24-25, 33-34 of the FATF recommendations, FATF, 2016, Available at: [http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF\\_Recommendations.pdf](http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf).

\*\*\*\*\*Possible sources: Interviews/consultations with the reporting entities and their respective supervisory authorities; Surveys of reporting entities' management and staff; Interviews with credit bureaus, utility companies, etc., with regard to information available on clients.

Acc. FATF National Money laundering and Terrorist Financing Risk Assessment, FATF, 2013 p.39-44, Available on: <http://www.fatfgafi.org/publications/methodsandtrends/documents/nationalmoneylaunderingandterroristfinancingriskassessm ent.html> and acc. FATF Methodology FATF, 2013 p.41-47, 64-68, 79-80 Available on: <http://www.fatf-gafi.org/media/fatf/documents/methodology/FATF%20Methodology-March%202017-Final.pdf>

### 3. CTF risk assessment

It should be assessed whether the jurisdiction has effectively and comprehensively criminalized terrorism financing in its laws, and assess the strengths/weaknesses within the jurisdiction's legal capacity to prosecute and apply criminal sanctions to the persons that finance terrorism.\*\*\*\*\*

It should be also assessed whether the jurisdiction has effective and comprehensive laws and regulations in place that implement targeted financial sanctions that comply with the UN Security Council's resolutions. This specifically refers to the resolution that requires countries to freeze, without delay, all funds or assets related to terrorism, and to ensure that no assets are made available to, or for, the benefit of persons and entities designated by the UN Security Council under Chapter VII of the Chapter of UN resolutions, 1267 (1999) and its successor, 1373 (2001).\*\*\*\*\* For this assessment, it should be consulted\*\*\*\*\*: Relevant laws, regulations, and enforceable directions; Findings, Interviews/consultations from supervisory and regulatory authorities; Interviews/consultations with assessed business/profession's representatives, including a SRB and professional associations; Surveys of management and staff of firms that make up the assessed business/profession.; Reports from governments and/or international organizations; Reports from academia and/or civil society organizations.

**Quantitative indicator sources of the CTF**\*\*\*\*\* should be used as follows:

- Judicial system database
- Prosecutor's Office database
- Law enforcement database
- FIU database
- Research reports and academic studies

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\*\*\*\*\*Acc. FATF National Money laundering and Terrorist Financing Risk Assessment, FATF, 2013 p. 5-8, Available on:

<http://www.fatfgafi.org/publications/methodsandtrends/documents/nationalmoneylaunderingandterroristfinancingriskassessment.html>. Also see FATF Methodology FATF, 2013 p. 6, Available on: <http://www.fatfgafi.org/media/fatf/documents/methodology/FATF%20Methodology-March%202017-Final.pdf>

\*\*\*\*\*Acc. FATF National Money laundering and Terrorist Financing Risk Assessment, FATF, 2013 p.5-8 , Available on:

<http://www.fatfgafi.org/publications/methodsandtrends/documents/nationalmoneylaunderingandterroristfinancingriskassessment.html>. Also see FATF Methodology FATF, 2013 p. 6, Available on: <http://www.fatfgafi.org/media/fatf/documents/methodology/FATF%20Methodology-March%202017-Final.pdf>.

\*\*\*\*\*Acc. FATF National Money laundering and Terrorist Financing Risk Assessment, FATF, 2013 p.39-44

Available on:

<http://www.fatfgafi.org/publications/methodsandtrends/documents/nationalmoneylaunderingandterroristfinancingriskassessment.html>.

\*\*\*\*\*Acc. FATF National Money laundering and Terrorist Financing Risk Assessment, FATF, 2013 p. 13-16,39-44

Available

on:<http://www.fatfgafi.org/publications/methodsandtrends/documents/nationalmoneylaunderingandterroristfinancingriskassessment.html>,



**Qualitative indicator sources of the CTF**\*\*\*\*\* should be consisted of:

- Intelligence
- Reports by government agencies
- Academic studies and publications
- Publications by international organizations
- Open sources (e.g. Internet, and public news)
- Surveys with focus groups or the general public
- Interviews with focus groups or experts

Assessment of the Terrorism Financing Threat should be based on data gathered. The enforcement data should include:

- Number of TF cases investigated
- Number of TF cases prosecuted
- Number of TF cases convictions
- Number of persons convicted for TF
- Number of case files on TF sent to LEAs
- Number of International Assistance requests received
- Number of International Assistance requests sent
- Amount of TF funds seized or frozen
- Amount of TF funds confiscated

### **3.1. Direction of the Terrorism financing**\*\*\*\*\*

- Funds generated in the home jurisdiction, for operations within the home jurisdiction.
- Funds generated in the home jurisdiction, for operations in a foreign jurisdiction.
- Funds generated in a foreign jurisdiction, for operations in the home jurisdiction.
- Funds generated in a foreign jurisdiction, for operations in foreign jurisdictions (transit point).

Financial flows related to terrorism financing can be distinguished by their direction. The funds might be generated in the home jurisdiction, but used for operations elsewhere. Conversely, the funds might be generated in another jurisdiction, but used to fund terrorist operations in the home jurisdiction. Or, the funds may simply pass through the home jurisdiction, using it as a point of transit. It is needed to establish the direction of the flows, as this information is relevant in determining which controls need to be adopted or strengthened.

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\*\*\*\*\*Acc. FATF National money laundering and Terrorist Financing Risk Assessment, FATF, 2013 p. 13-16, 31-32, 39-44.

Available on: <http://www.fatfgafi.org/publications/methodsandtrends/documents/nationalmoneylaundryingandterroristfinancinriskassessment.html>.

\*\*\*\*\*Acc. FATF National money laundering and Terrorist Financing Risk Assessment, FATF, 2013 p. 13-16, 31-32, 39-44.

Available on: <http://www.fatfgafi.org/publications/methodsandtrends/documents/nationalmoneylaundryingandterroristfinancinriskassessment.html>.



## Conclusions

Identifying, assessing, and understanding ML/TF risks is an essential part of the implementation and development of a national anti-money laundering / countering the financing of terrorism (AML/CFT) regime, which includes laws, regulations, enforcement and other measures to mitigate ML/TF risks. It assists in the prioritization and efficient allocation of resources by authorities. The results of a national risk assessment, whatever its scope, can also provide useful information to financial institutions and designated non-financial businesses and professions (DNFBPs) to support the conduct of their own risk assessments. Once ML/TF risks are properly understood, country authorities may apply AML/CFT measures in a way that ensures they are commensurate with those risks – i.e., the risk-based approach (RBA) – which is central to the FATF standards as is set out in Recommendation 1, its interpretive note (INR 1), as well as in other Recommendations (e.g., Recommendations 10, 26 and 28).

The outcome of the Money-laundering and Terrorist financing risk vulnerability assessment is necessary for:

- Designing action plans for more effective AML policies and practices in the sector
- Evaluating the impact of different interventions by regulatory (and other relevant) authorities
- Comparing the level of vulnerability of a business/profession in the DNFBP sector with other businesses/professions, and the vulnerability level of each of the assessed business/profession in relation to other financial sectors
- Ensuring efficient resource allocation
- Developing specific AML controls for high-risk businesses/professions in the DNFBP sector and their products.

The form, scope and nature of ML/TF risk assessments should ultimately meet the needs of its users – whether these are policy makers, supervisors, operational agencies, financial institutions, DNFBPs, etc. The number and diversity of users of an assessment varies according to the purpose for which it is carried out; however, typical users of risk assessments might include:

- Policy makers and other authorities, for example, in order to formulate the national AML/CFT policies, make reasonable decisions on the legal and regulatory framework and the allocation of resources to competent
- Operational agencies, including law enforcement, other investigative authorities, financial intelligence units (FIUs), relevant border agencies, etc.
- Regulators, supervisors and self-regulatory bodies (SRBs).
- Financial institutions, and designated non-financial businesses and professions (DNFBPs), for which the national-level ML/TF risk assessment is a critical source contributing to their own ML/TF risk assessments and risk-based obligations.
- Non-profit organisations (NPOs).
- AML/CFT assessors and assessment bodies more broadly, along with other international stakeholders.
- The general public, as well as academia, specified individuals, etc.

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