



FATF GUIDANCE



FINANCIAL ACTION TASK FORCE

www.fatf-gafi.org

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ACRONYMS

AML/CFT

DNFBPs

FATF

FIU

INR. X

ML

NPO

RBA

SRB

STR

TF

1. INTRODUCTION & TERMINOLOGY

1.1 Purpose, scope and status of this guidance

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1.2 Core FATF obligations and decisions regarding ML/TF risk assessments

Recommendation 1:

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- *Risk*
consequence *risk assessment* *threat vulnerability*

- *threat*

Threat

- *vulnerabilities*

vulnerabilities *threat*

- *Consequence*

use of serious and organised crime threat assessments

Guidance on the preparation and

and

1.4 Users of ML/TF r o1(s L)5(/)4(TF)]Trønd

2. GENERAL PRINCIPLES FOR NATIONAL ML/TF RISK ASSESSMENTS

2.1 Clear agreement on purpose

⁸ Nonetheless, those involved carrying out a national ML/TF risk assessment may gain further insight into risk concepts, methodologies, processes, and tools from consulting any requirements of their own government relating to risk assessment or other material on risk management standards and associated publications (see the bibliography at the end of this document for a list of some of these sources).

2.2 Determining scope

Money laundering and terrorist financing

National, supranational and sub-national risk assessments



Comprehensiveness of assessment

2.3 Need for high-level commitment to the ML/TF risk assessment process

3. ORGANISATION AND INFORMATION

3.1 Planning and organisation of the ML/TF risk assessment

3.2 Sources of information

Contributors to the risk assessments

■ *Policy-making bodies*

■ *Law enforcement and prosecutorial authorities*

modus operandi

■ *Intelligence and/or security services*

■ *Financial intelligence units*

- *Regulatory and supervisory authorities*

- *Other authorities*

- *International and foreign partners*

Involvement of the private sector and other actors

- *Financial institutions and DNFBPs:*

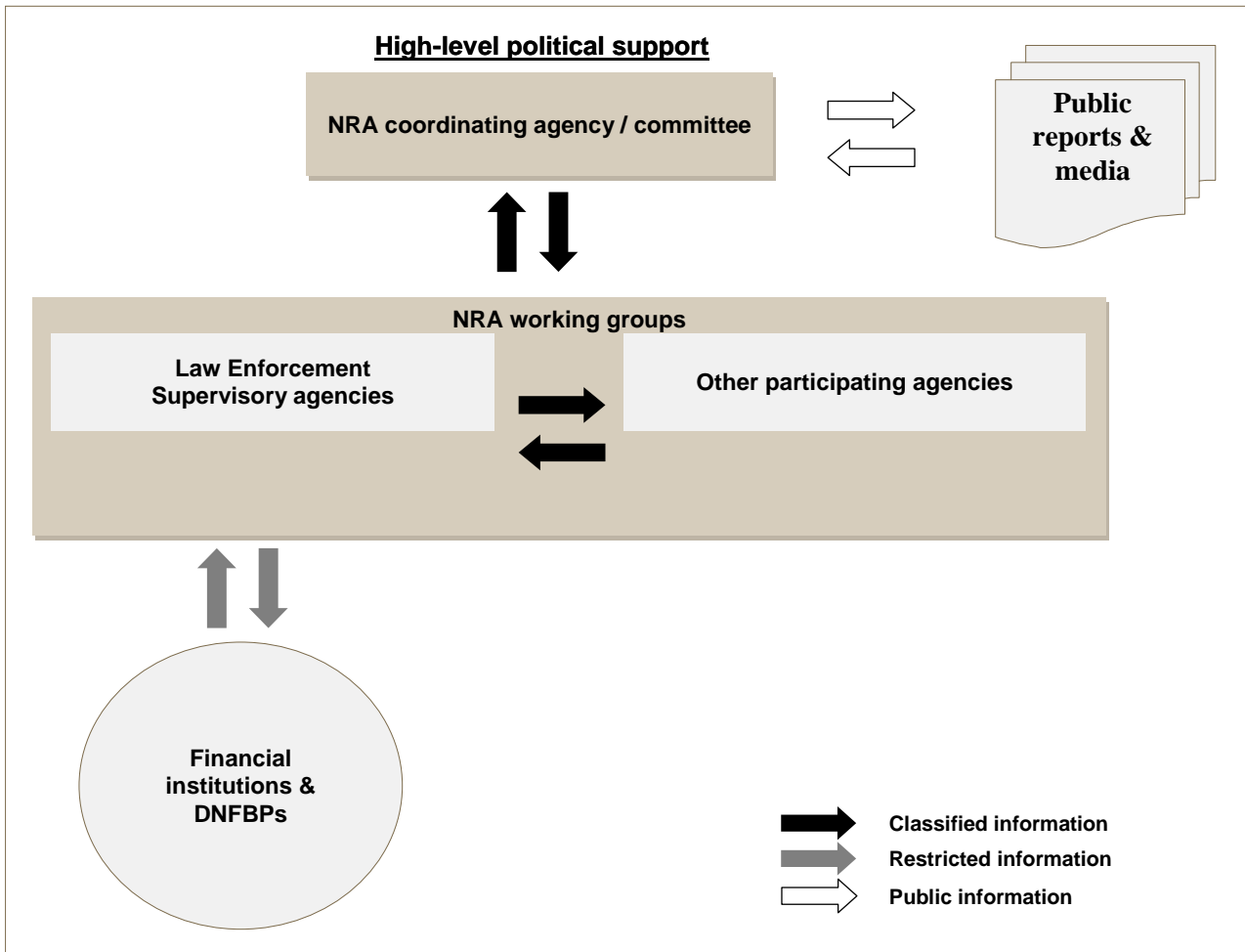
■ *Industry associations and self-regulatory bodies (SRBs)*

■ *Other actors*

■ *Criminals*

modus operandi

Interrelationships between various contributors to the risk assessment process



Information and tools required for ML/TF risk assessments

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3.3 Other planning considerations

Frequency of the risk assessment

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Documentation of methodologies and processes used

Supra-national risk assessments

Links with global ML/TF assessment

4. STAGES OF ML/TF RISK ASSESSMENT

identification analysis *evaluation*

■ *identification*

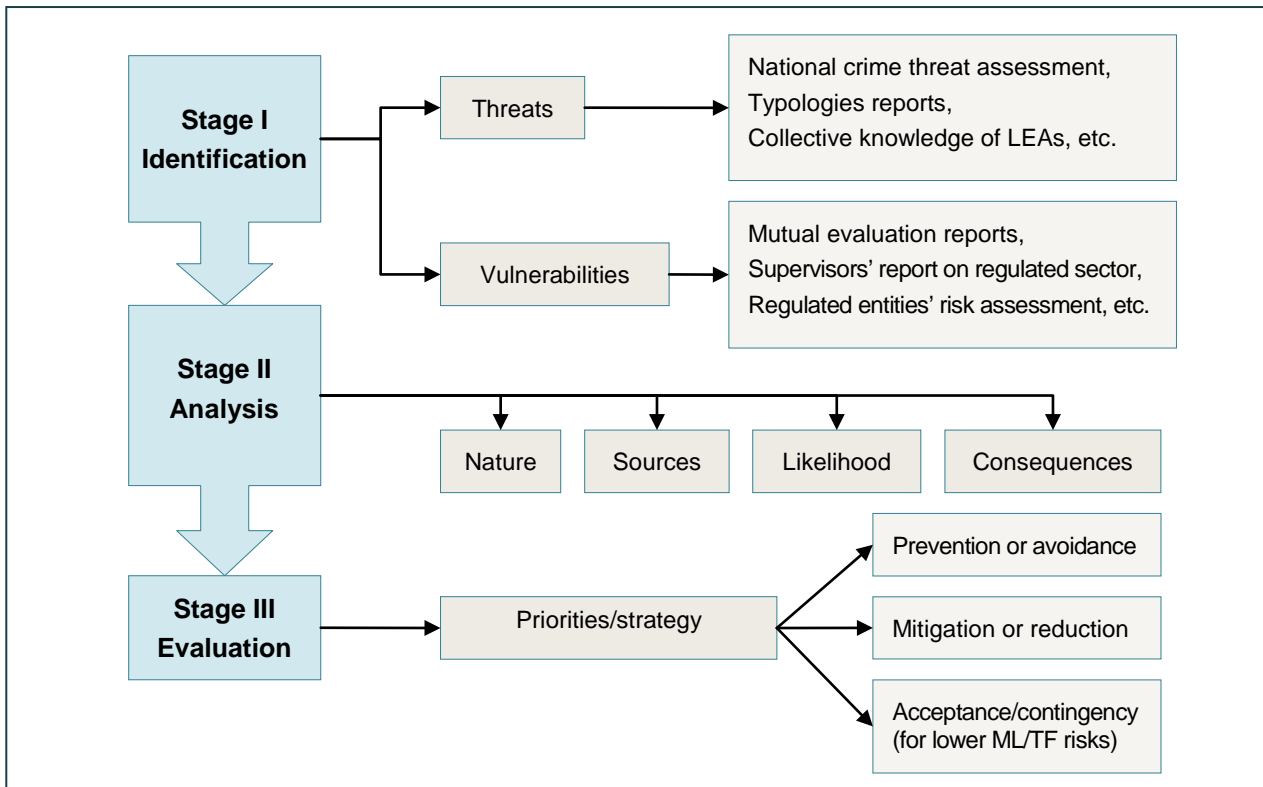
■ *Analysis*

■ *Evaluation*

risk factors

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Overview of the ML/TF Risk Assessment Process



4.1 First stage: identification

events

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4.2 Second stage: analysis

Analysis

consequence

threat vulnerability



Understanding the consequences associated with ML and TF

impacts *harms*

Examples of Consequences of Money Laundering

- Losses to the victims and gains to the perpetrator
- Distortion of consumption
- Distortion of investment and savings
- Artificial increase in prices
- Unfair competition
- Changes in imports and exports
- Effects growth rates
- Effects on output, income and employment
- Lower public sector revenues
- Threatens privatisation
- Changes demand for money, FX-rates and interest rates
- Increases in FX-rate and Interest rate volatility
- Greater availability of credit
- Higher capital in-flows
- Changes in foreign direct investment
- Risks for financial sector solvency and liquidity
- Profits for the financial sector
- Financial sector reputation
- Illegal business contaminates legal
- Distorts economic statistics
- Corruption and bribery
- Increases crime
- Undermines political institutions
- Undermines foreign policy goals
- Increases terrorism

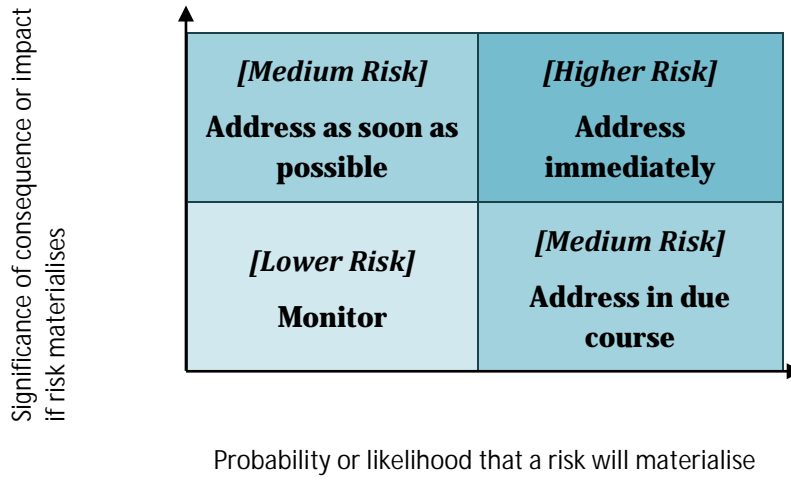
Source: et al

effects

consequences

risk

Examples of a Risk Evaluation Matrix



5. OUTCOME OF RISK ASSESSMENTS

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Dissemination of assessments outcome

ANNEX I. ML/TF RISK FACTORS RELATING TO THREAT

Consideration of all stages of ML

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Consideration of all stages of TF

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Threat Factors²⁷

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Predicate Crime Categories for ML Crime Categories and Sub-Categories [Source: IMF]

Participation in an organised criminal group & racketeering

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Terrorism and terrorist financing

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Trafficking in human beings and migrant smuggling



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Sexual exploitation, including sexual exploitation of children

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Illicit trafficking in narcotic drugs and psychotropic substances

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Illicit arms trafficking

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Illicit trafficking in stolen and other goods

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Corruption and bribery

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Fraud

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Environmental crime

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Murder, grievous bodily injury

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Kidnapping, illegal restraint, and hostage taking

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Robbery or theft

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- Smuggling**
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- Extortion**
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- Forgery**
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- Piracy (i.e., maritime)**
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- Insider trading and market manipulation**
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ANNEX II. ML/TFRISK FACTORS RELATED TO VULNERABILITIES

Political factors

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Economic factors

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Social factors



Technological factors



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Environmental and geographical factors³⁰

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Legislative factors

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Institution and firm categories by sectors

Sector	Categories of institutions and firms
Banks and credit institutions	<i>All banks or commercial banks (including: foreign banks, government-owned banks, merchant banks, special purpose banks)</i>
	<i>All offshore banks (offering services exclusively to non-residents)</i>
	<i>Building societies, cooperatives and credit unions</i>
	<i>Central bank WITHOUT retail base</i>
	<i>Central bank WITH retail base</i>
	<i>Finance companies</i>
	<i>Savings institutions (including postal savings service)</i>
	<i>Microfinance deposit takers</i>
	<i>Merchant banks</i>
	<i>Shell banks</i>
Securities industry	<i>Advisers</i>
	<i>Fund and asset managers (including mutual funds)</i>
	<i>Futures (including commodities) & derivatives brokers and dealers</i>
	<i>Markets, registries & exchanges</i>
	<i>Securities firms (brokers, dealers and other companies)</i>
	<i>Superannuation and pension companies</i>

Sector	Categories of institutions and firms
	<i>Other</i>
Insurance industry	<i>Life insurance agents and brokers</i> <i>Non-life insurance agents and brokers</i> <i>Non-life insurance companies</i> <i>Offshore insurers</i> <i>Superannuation and pension companies</i> <i>Other Insurance</i>
Money services businesses (MSBs)	<i>Card issuers/E-payment (credit, debit, E-cash/money etc.)</i> <i>Check issuers and cashers</i> <i>Foreign exchange dealers (including bureaux de change and money changers)</i> <i>Money remitters and transfer agents (including any postal service that offers this service)</i> <i>Undertaking of bill payment business</i> <i>All (Other) MSBs</i>
Other financial institutions	<i>Hire purchase companies</i> <i>Mortgage providers</i> <i>Other lenders</i> <i>Other specialist financial institutions (such as development FIs)</i> <i>Pawnshops (if they "lend")</i> <i>Providers of deposit boxes</i> <i>Specialised financial institutions</i> <i>Cash handling firms</i>
DNFBPs	<i>Accountants</i> <i>Auditors</i> <i>Casinos</i> <i>Dealers in precious metals and stones</i> <i>Lawyers (including barristers, solicitors, and other legal professionals)</i> <i>Notaries</i> <i>Real estate agents (including licensed conveyancers)</i> <i>Trust and company service providers (including: company formation agents)</i> <i>All (Other) DNFBPs</i>

Sector	Categories of institutions and firms	
Other entities	<i>Advisors, including tax and financial</i>	
	<i>Bookmakers, betting, gaming & lotteries</i>	
	<i>Motor vehicle retailers</i>	
	<i>Boat charterers, sellers, and re-sellers</i>	
	<i>Aircraft charterers, sellers, and re-sellers</i>	
	<i>Art and antique dealers</i>	
	<i>Auction houses</i>	
	<i>Other dealers and traders in high value goods</i>	
	<i>Pawnshops</i>	
	<i>Travel Agents</i>	
	<i>Convenience, grocery, liquor stores</i>	
	<i>Laundromats, car washes, parking businesses</i>	
	<i>Other cash intensive businesses</i>	
	<i>Construction companies</i>	
	<i>Customs agencies and brokers</i>	
	<i>Mail and courier companies</i>	
	<i>Hotels</i>	
	<i>Restaurants and bars</i>	
<i>Mining, logging, and other extractive industry companies</i>		
<i>Other</i>		
Legal persons	<i>Bodies corporate</i>	
	<i>Registered companies *</i>	
	<i>Public companies *</i>	
	<i>Companies that have issued bearer shares *</i>	
	<i>Companies owned or controlled by non-residents *</i>	
	<i>International or (foreign) business companies or corporations *</i>	
	<i>Other types of company *</i>	
	<i>Foundations</i>	
	<i>Anstalt</i>	
	<i>Partnerships</i>	
	<i>Associations</i>	
	<i>Similar bodies that can establish a permanent customer relationship with a financial institution or otherwise own property</i>	
	<i>All legal persons (other than companies) that are owned or controlled by non-residents including branches or offices of foreign legal persons authorised to operate in the</i>	

Sector	Categories of institutions and firms
	<i>jurisdiction *</i>
Legal arrangements	<i>Express trusts (i.e., with a written deed of trust)</i>
	<i>Fiducie</i>
	<i>Treuhand</i>
	<i>Fideicomiso</i>
	<i>Other similar legal arrangements</i>
	<i>International Trusts*</i>
	<i>All legal arrangements established or controlled by non-residents*</i>
Non-profit organisations (NPOs)	<i>NPOs - registered or licensed</i>
	<i>NPOs - not registered or licensed</i>
	<i>All NPOs established or controlled by non-residents*</i>

Table note

ANNEX III. EXAMPLES OF NATIONAL-LEVEL ASSESSMENTS

Australia

FATF Guidance on risk assessments – project group

Australian National Threat Assessment on Money Laundering 2011 (NTA)

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Threat matrix

Global Money Laundering and Terrorist

Financing Threat Assessment

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■ **Accessibility**

■ **Ease of use**

■ **Deterrence**

■ **Detection**

■ **Criminal intent**

Australian Threat Matrix

Threat factors	Low threat	Medium threat	High threat
ACCESSIBILITY e.g. accessibility and relative cost	Difficult Difficult to access and/or may cost more than other options.	Moderate Reasonably accessible and/or a financially viable option.	Easy Widely accessible and available via a number of means and/or relatively low-cost.
EASE OF USE e.g. knowledge and/or technical expertise and support required	Difficult Requires more planning, knowledge and/or technical expertise than other options.	Moderate Requires moderate levels of planning, knowledge and/or technical expertise.	Easy Relatively easy to abuse; little planning, knowledge and/or technical expertise required compared to other options.
DETERRENCE e.g. existence of AML and/or other barriers to abuse	Significant Deterrence measures and controls exist and are reasonably effective at deterring money laundering.	Limited Deterrence measures and controls have some effect in deterring criminal abuse of the service.	Weaker There are limited or no measures and controls in place, or they are not working as intended.
DETECTION e.g. ability for money laundering to be identified and reported to authorities	Likely A range of money laundering methods is visible and likely to be detected.	Limited Some money laundering methods may be visible but limited reporting, high volumes of funds flows and/or effective evasion techniques limits detection.	Difficult Detection is difficult and there are few financial or other indicators of suspicious activity.
INTENT e.g. perceived attractiveness of money laundering through this mechanism	Low Perceived as relatively unattractive and/or insecure.	Moderate Perceived as moderately attractive and/or fairly secure.	High Perceived as attractive and/or secure.

High-risk countries³²

Approach and lessons learnt

threat

risk

The Netherlands

et al.

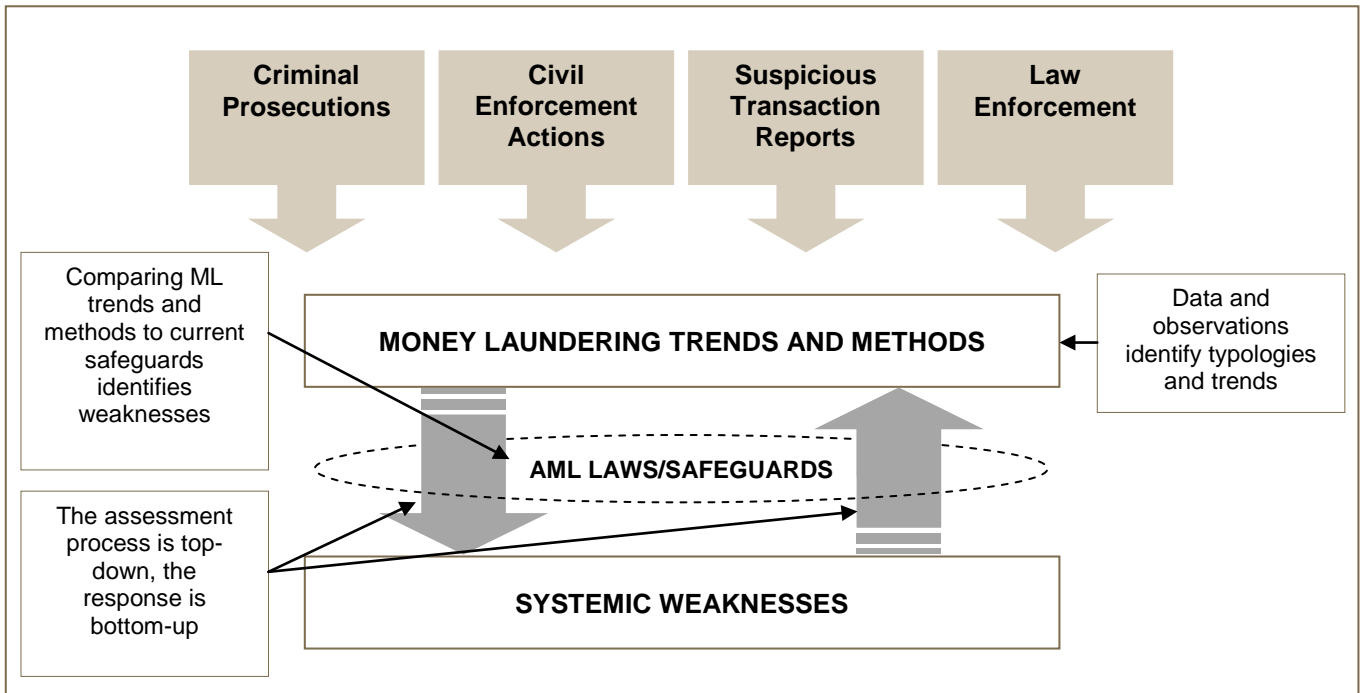
Switzerland: Example of a risk assessment used as the basis for applying low-risk exemptions

United States

U.S. Money Laundering Threat Assessment³⁵

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Flow chart depicting US money laundering assessment and strategy formation process



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ANNEX IV. SPECIFIC RISK ASSESSMENT METHODOLOGIES



BIBLIOGRAPHY

The FATF Forty Recommendations

Global Money Laundering and Terrorist Financing Threat Assessment

Money Laundering and Terrorist Financing Risk Assessment Strategies

Guidance on the Risk-based Approach to Combating Money Laundering and Terrorist Financing: High Level Principles and Procedures

Country-level assessments of interest (available on line)

Australia:

Money laundering in Australia 2011

Netherlands:

et al. The Amounts and the Effects of Money Laundering, Report for the Ministry of Finance

New Zealand:

National Risk Assessment 2010

Internal Affairs AML / CFT Sector Risk Assessment,

Sector Risk Assessment (2015) (R) 2(i)-2(s) 1(k)-3(o)-6) FATF (2013) (2013) Tc C

Organised Crime Threat Assessment

A Risk Management Standard

Guidelines

Risk Management – Principles and

Risk Management – Risk Assessment Techniques

Risk Management – Vocabulary

*OSCE Handbook on Data
Collection in Support of Money Laundering and Terrorism Financing National Risk Assessment*

Guidelines

Risk Management – Principles and

Integrated Risk Management Framework

*Guidance on the preparation and use of
serious and organised crime threat assessments*

DHS Risk Lexicon – 2010 Edition
