A NATIONAL RISK ASSESSMENT REGARDING AML-CFT

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Overview

- Introduction
- FATF
- RBA in the FATF Standards
- National risk assessments in the standards
- FEC
- FEC’s national threat assessment
Introduction

- Stability demands trust and solidity
- No trust and solidity without integrity
- Integrity supervision is a pillar of prudential supervision

Principles integrity supervision:
- Financial institutions should not become involved in *criminal offences* and in *acts contrary to generally accepted standards*
- Risk and principle based

Examples of integrity risks: money laundering, terrorist financing, conflict of interest, fraud (external of internal), corruption, harming 3rd parties interests, et cetera.
Risk and principle based

- supervision on controls to mitigate integrity risks
- financial institutions responsible for mitigating integrity risks
- risk controls geared down to the institutions’ environment and circumstances
FATF

- FATF (Financial Action Task Force);
  - established 1989 to combat the misuse of financial systems for money laundering purposes
  - to bring together technical and practical expertise
  - ‘9/11’: countering the financing of terrorism added as an objective

- 40 plus 9 Recommendations, including preventive measures for financial institutions and standards for jurisdictions to set up an effective AML/CFT-system (including co-operation between authorities and the analysis of ML-risks)

- FATF has developed an extensive methodology for evaluating the implementation of the FATF standards by jurisdictions; 
  → overview of vulnerabilities of the AML/CFT system.
RBA in the FATF Standards

- Permitting jurisdictions to adopt to a certain degree a risk based approach (RBA) to combat ML and TF

- Permitting jurisdictions to permit financial institutions to use a RBA to discharge certain AML/CFT obligations

→ measures commensurate to risk identified, resources efficiently allocated and greatest risks highest attention.
National risk assessment in the FATF Standards

- Adopting a risk based approach (RBA) implies undertaking an assessment of the risks and developing strategies to manage and mitigate the identified risks.

- Determine where the ML and TF risks are the greatest;
  - countries should identify main vulnerabilities and address them accordingly, while
  - financial institutions need to identify high risk customers, products and services (including delivery channels and geographical locations).
National risk assessment in the FATF Standards (continued)

- Understanding the *threat*; the nature and scale of ML/TF and related predicate crimes.

- Know the *vulnerability*; weaknesses in AML/CFT systems and controls + other features that make a jurisdiction attractive for ML/TF.

- National risk assessments tailored to the circumstances of each jurisdiction and assessments are not static (change over time, as circumstances develop and threats evolve).
FEC

- Financieel Expertise Centrum (Financial Expertise Centre)
  - established in 1998
  - to enhance the integrity of the financial sectors.

- Effective co-operation and exchange of information between all relevant authorities: supervision, inspection, prosecution and investigation.
FEC-partners

- Netherlands Authority for the Financial Markets (AFM)
- General Intelligence and Security Service (AIVD)
- Tax and Customs Administration (Belastingdienst)
- Dutch Central Bank (DNB)
- Fiscal Intelligence and Investigation Service (FIOD)
- Public Prosecution Service (Openbaar Ministerie)
- Police force (FIU-NL, KLPD, BFER, Police Amsterdam-Amstelland)

Observers:
- Ministry of Finance (Financial markets Directorate) and
- Ministry of Justice (Directorate Law Enforcement)
FEC: mission statement

“to enhance the integrity of the financial sector by stimulating, coordinating and extending the mutual co-operation among partners by exchanging information and sharing insight, knowledge and skills.”

Tasks: information platform, knowledge centre and project bureau.

Organization: - FEC Council and - FEC Unit.
FEC’s National Threat Assessment (NTA)

- **Goals:**
  - get better insight into methods and techniques used in the Netherlands to launder money,
  - determine which methods and techniques are the most relevant threats to Dutch society,
  - collectively combat the most relevant threats.

National threat assessment on money laundering. Vulnerability; use your FATF mutual evaluation report as a starting point.
NTA; product(s)

Final product: collective combat of the most relevant ML-threats;

- action operational partners

- developing policy and legislation by Ministries.
Enhancing integrity in the Dutch Caribbean: co-operation to understand the risks is the key!

Thank you for your attention!