

A NATIONAL RISK ASSESSMENT REGARDING AML-CFT

Symposium `Enhancing Integrity in the Dutch Caribbean`
Aruba, November 15, 2010

Mrs. J.A. Kellermann
De Nederlandsche Bank
Executive Director

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!