



INFORMATION EXCHANGE WORKING GROUP

# THE ROLE OF FIUS IN THE NATIONAL RISK ASSESSMENT PROCESS

The report examines the role and experiences of Financial Intelligence Units (FIUs) in conducting National Risk Assessments (NRAs) on Money Laundering and Terrorist Financing (ML/TF).

# OVERVIEW

## SUMMARY OF REPORT

This project aims to equip FIUs with the knowledge, tools, and best practices necessary for accurately assessing risk. By sharing mechanisms and methodologies, Financial Intelligence Units (FIUs) will be better positioned to communicate and understand the risks associated with Money Laundering (ML) and Terrorist Financing (TF) within their jurisdictions, as well as the effectiveness of their preventive and mitigating measures.

FIUs are central to the development of national Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) strategies, placing them at the heart of the fight against ML/TF. The NRA relies heavily on the pivotal role and unique position of the FIU within the AML/CFT framework.

## OBJECTIVES



- **SHARE BEST PRACTICES FOR RISK ASSESSMENTS**

By sharing these practices, FIUs can build upon established frameworks and adapt them to their unique national contexts, thereby enhancing their overall effectiveness in the NRA process.



- **DISCUSS CHALLENGES AND RESPONSE METHODS**

By learning how other FIUs have addressed these challenges, including innovative solutions and strategic adaptations, they can anticipate similar issues and implement proactive measures to overcome them.

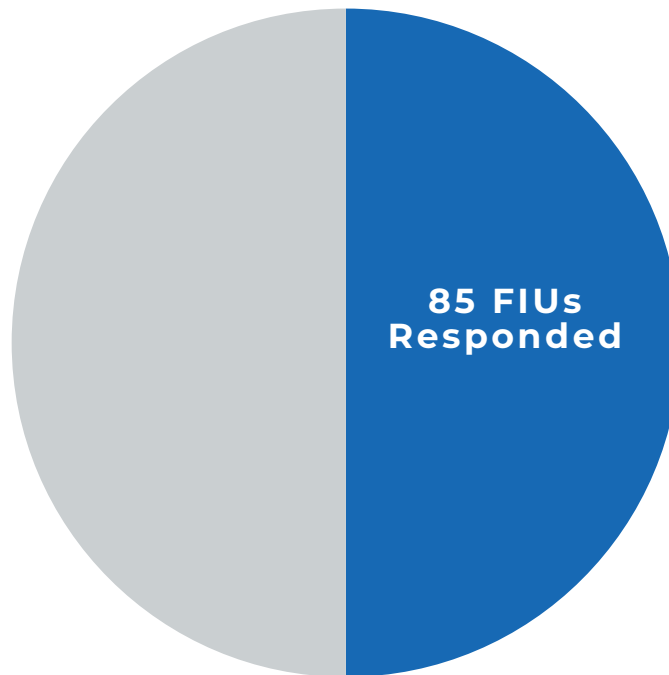


- **GUIDE THE ESTABLISHMENT OF EFFECTIVE MECHANISMS**

By equipping FIUs with the necessary tools and guidelines, they will be well-prepared to navigate the entire NRA process, from data collection to final reporting. Integrating advanced technology and solidifying partnerships with key stakeholders are essential steps to bolster AML/CFT initiatives.

## RESPONSE RATE

The results indicated that a total of eighty-five (85) FIUs responded to the questionnaire, representing 50% of the total FIUs across all regions. This significant response rate allowed for a comprehensive analysis of the insights provided by the responding FIUs.



## KEY FINDINGS FROM FIUs' INVOLVEMENT IN NRAs



- FIUs are pivotal in the battle against ML/TF due to their important role in NRAs.
- Their expertise in scrutinising STRs/SARs and other data equips them with critical insights for identifying and assessing ML/TF risks within a country.
- FIUs act as coordinators, facilitating communication, data collection, and stakeholder engagement throughout the NRA process.
- The specific role of FIUs can vary depending on the national framework and chosen NRA methodology (e.g., focusing on data provision or leading the drafting process).

# FINDINGS

## IMPORTANCE OF COORDINATION

One significant finding from the analysis underscores the critical role of collaboration. Conducting an NRA is not an isolated task. FIUs often draw on data from various sources, including law enforcement, regulatory bodies, and even the private sector, to build a comprehensive picture of the money laundering and terrorist financing landscape.

Open-source intelligence (OSINT) is another valuable tool they utilize. There's also a strong emphasis on international cooperation, with many countries involving private sector entities and collaborating with neighboring countries or regional bodies.

## EFFECTIVE COMMUNICATION OF NRA FINDINGS: A CRITICAL COMPONENT



- Once the NRA is complete, effectively communicating the findings is paramount.
- Most countries have strategies in place to disseminate the findings to relevant stakeholders such as reporting entities and competent authorities.
- This communication can take various forms, from public reports to tailored messages for specific audiences, including training or guidance documents.



**Approaches to money laundering and terrorist financing risks are usually tailored rather than one-size-fits-all.** Recognizing this, most FIUs conduct typology studies based on the NRA's findings. These studies allow FIUs to focus their AML/CFT efforts on the most vulnerable sectors and the highest-risk offenses identified in the NRA.





## PARTICIPATION IN NRAs BRINGS MULTIPLE BENEFITS FOR FIUs.



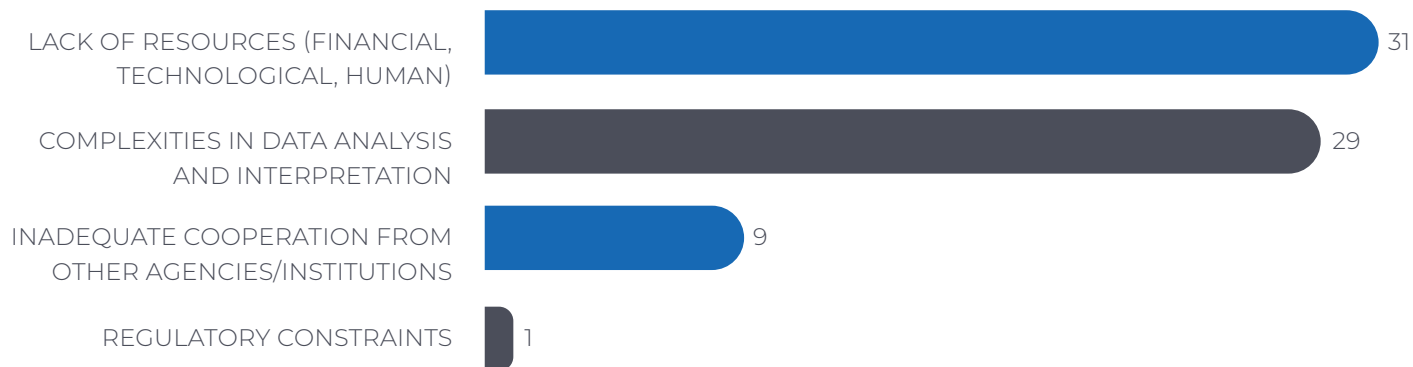
- Improved collaboration
- Information sharing
- Deeper understanding of ML/TF risks



**However, challenges like resource constraints, complex data analysis, and collaboration issues can arise.**

## CHALLENGES REPORTED

70 Financial Intelligence Units responded to the question of reported challenges.



# STRATEGIES FOR SUCCESS

“OVER 90% OF PARTICIPANTS AGREED THAT NATIONAL RISK ASSESSMENT (NRA) PLANNING PROCESSES SHOULD CONSIDER INTERNATIONAL STANDARDS AND BEST PRACTICES.”



## PATH TO SUCCESS

- Building trust among stakeholders and avoiding political interference.
- Strengthening partnerships, improving technology, and investing in staff training.
- Streamlining processes, establishing clear communication channels, and adopting a flexible framework.

FIU involvement extends beyond the NRA itself. Their understanding of ML/TF risks and established stakeholder networks make them key partners in developing the National AML/CFT Strategy. Their participation can range from leading the strategy development

to providing data and analysis from NRAs. Many FIUs also receive support from technical assistance providers like the World Bank or the Council of Europe.

## SUCCESSFUL STRATEGIES TO OVERCOME CHALLENGES



- Strengthening partnerships
- Improving technology and data management systems
- Investing in staff training
- Streamlining internal processes
- Establishing clear communication channels
- Adopting a flexible and adaptable framework for conducting NRAs.

## KEY LESSONS LEARNED



- Building trust among stakeholders
- Avoiding political interference
- Proactive information sharing
- Adhering to international standards
- Maintaining a flexible NRA framework

## CONCLUSIONS

FIUs should actively engage with other domestic authorities in the NRA process to foster collaboration and enhance risk assessment. Establishing communication channels, conducting joint training, and leveraging technology can overcome challenges such as data analysis complexities and resource constraints.

Proactive information sharing, adherence to international standards, and avoiding political interference are crucial. Effective strategies include strengthening partnerships, prioritizing continuous improvement, and seeking additional government resources.

Ultimately, the commitment of FIUs to a cyclical process of risk assessment and mitigation is essential for their effectiveness.



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