

VII EAG/ITMCFM International Supervision Forum "Tools and Mechanisms of Risk-Based Approach in AML/CFT Supervision"

DIGEST OF PRESENTATIONS

14-15.10.2021

Analysis of the results of mutual evaluations FATF and FSRBs

Eurasian group on combating money laundering and financing of terrorism (EAG)

Speaker: Nazerke Zhampeiis

Characteristics of an effective system

- ☐ Eliminating and mitigating risks by:
 - preventing criminals from entering the FI/DNFBP;
 - identifying, remedying and sanctioning breaches of the AML/CFT regime.
- ☐ Adequate feedback and guidance
- ☐ Improving compliance level
- ☐ Preventing criminals from illegally using the financial and non-financial sector (in particular the sectors most at risk)

- ? 3.1. How well does the country prevent criminals and their associates from owning or controlling FIs or DNFBPs?
- ❓ 3.2 How well are supervisory authorities aware of the risks?
- ❓ 3.3 How well are supervisors monitoring compliance by FIs or DNFBPs with their AML/CFT requirements, taking into account risk factors?
- ? 3.4 To what extent are remedial actions taken and/or sanctions imposed?
- ? 3.5 Can supervisors prove that their actions have an impact on compliance?
- ❓ 3.6 Do supervisors promote an understanding of FI and DNFBP risks?

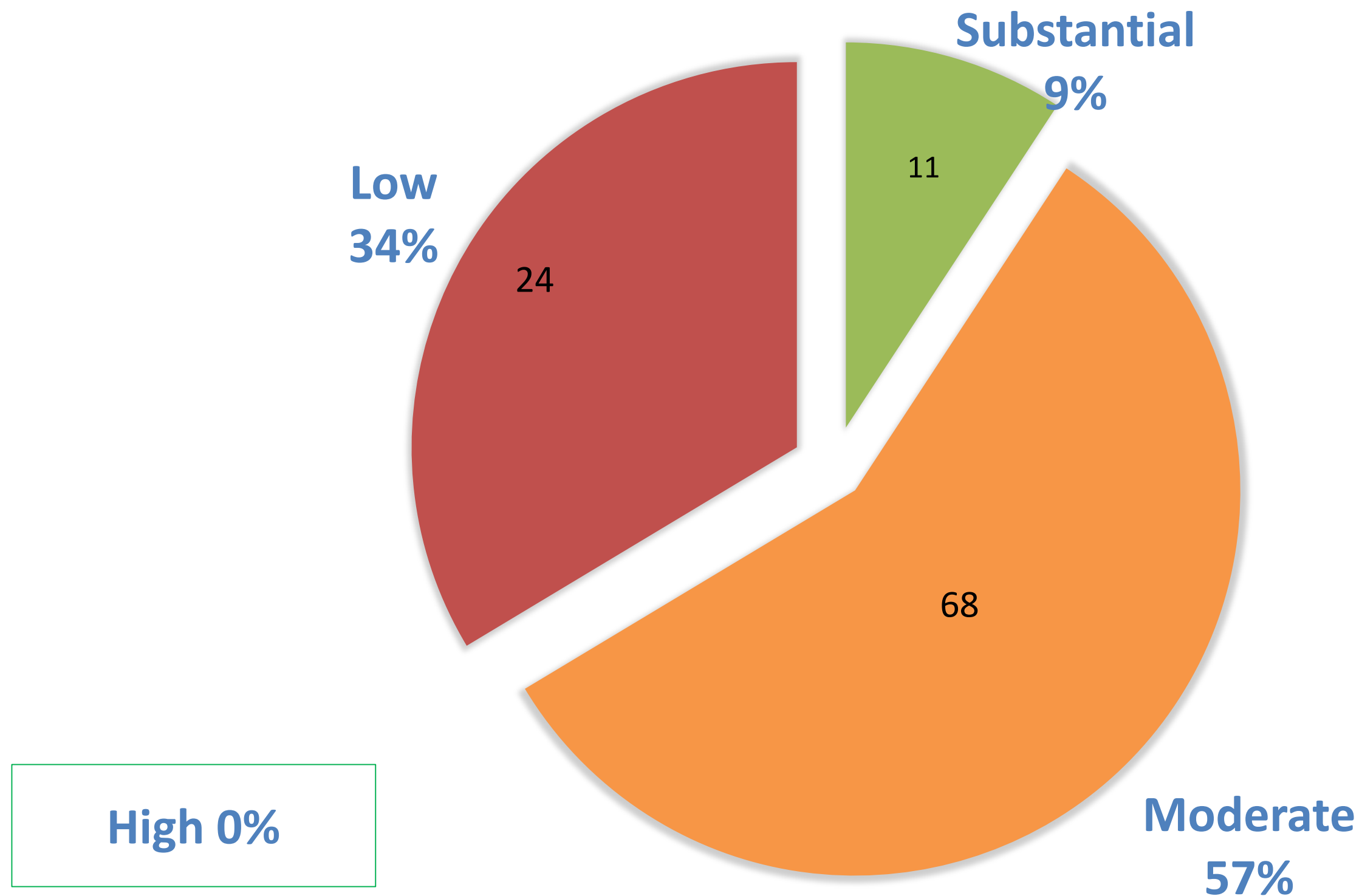
Assessing the application of preventive measures and supporting the conclusions on Core Issues:

- Level of compliance with recommendations 9-23 and elements of 1, 6 and 29;
- Increased focus on specific sectors (in accordance with the risks and contextual factors)
- The selection of reporting entities based on an analysis of institutional data and information provided by the supervisory authorities

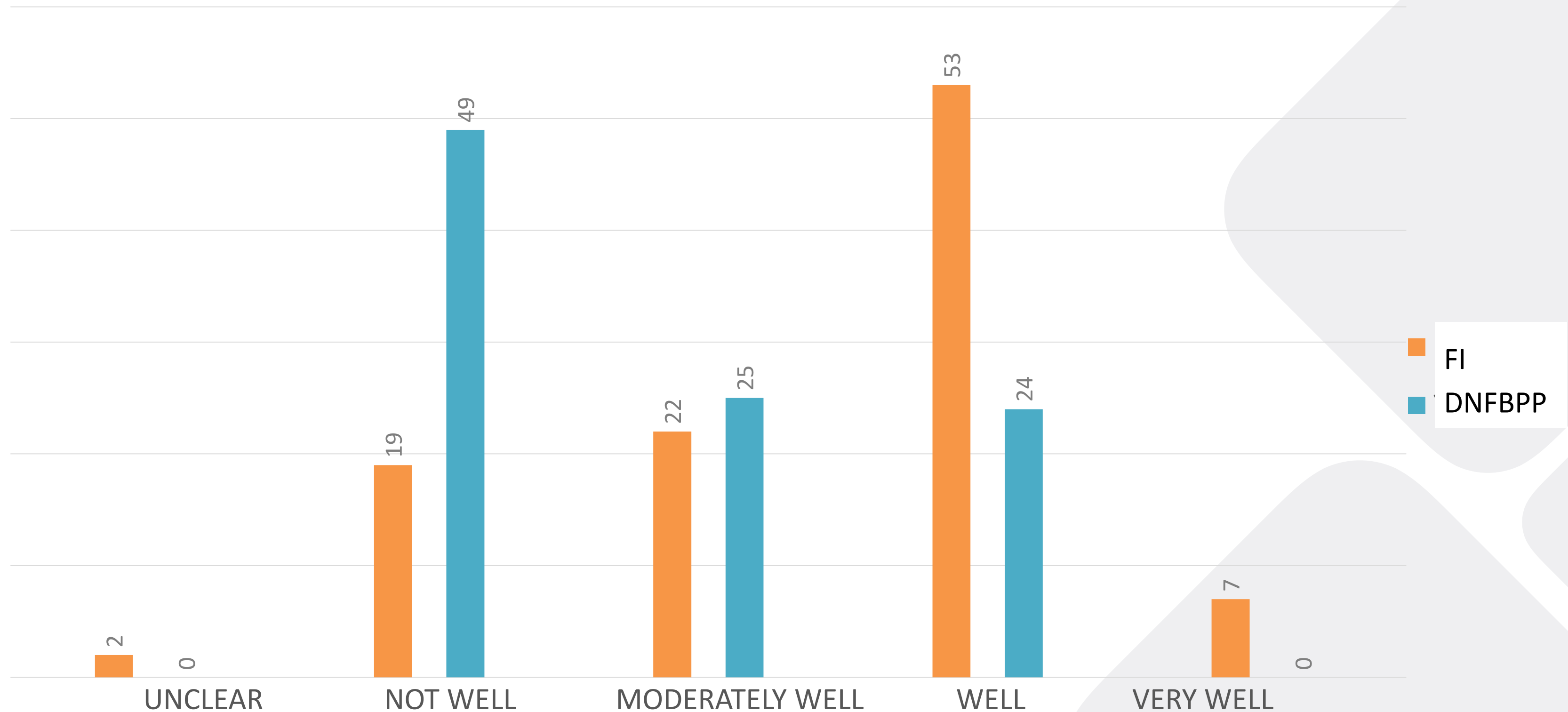
The conclusions has to be supported by other sources of information, such as:

- 1.Internal AML/CFT policies
- 2.Supervisory data: a) offsite data: sectorial/ institutional risk assessments; b) on-site data (comprehensive supervisory findings, statistics, severity of the breaches, etc.)
- 3.The NRA findings
- 4.STR reporting trends and practices, etc.

Why is this question relevant? FATF Global Network Rankings for IO.3 (119 countries)



Key shortcomings: Understanding of ML/TF risks by supervisor authorities

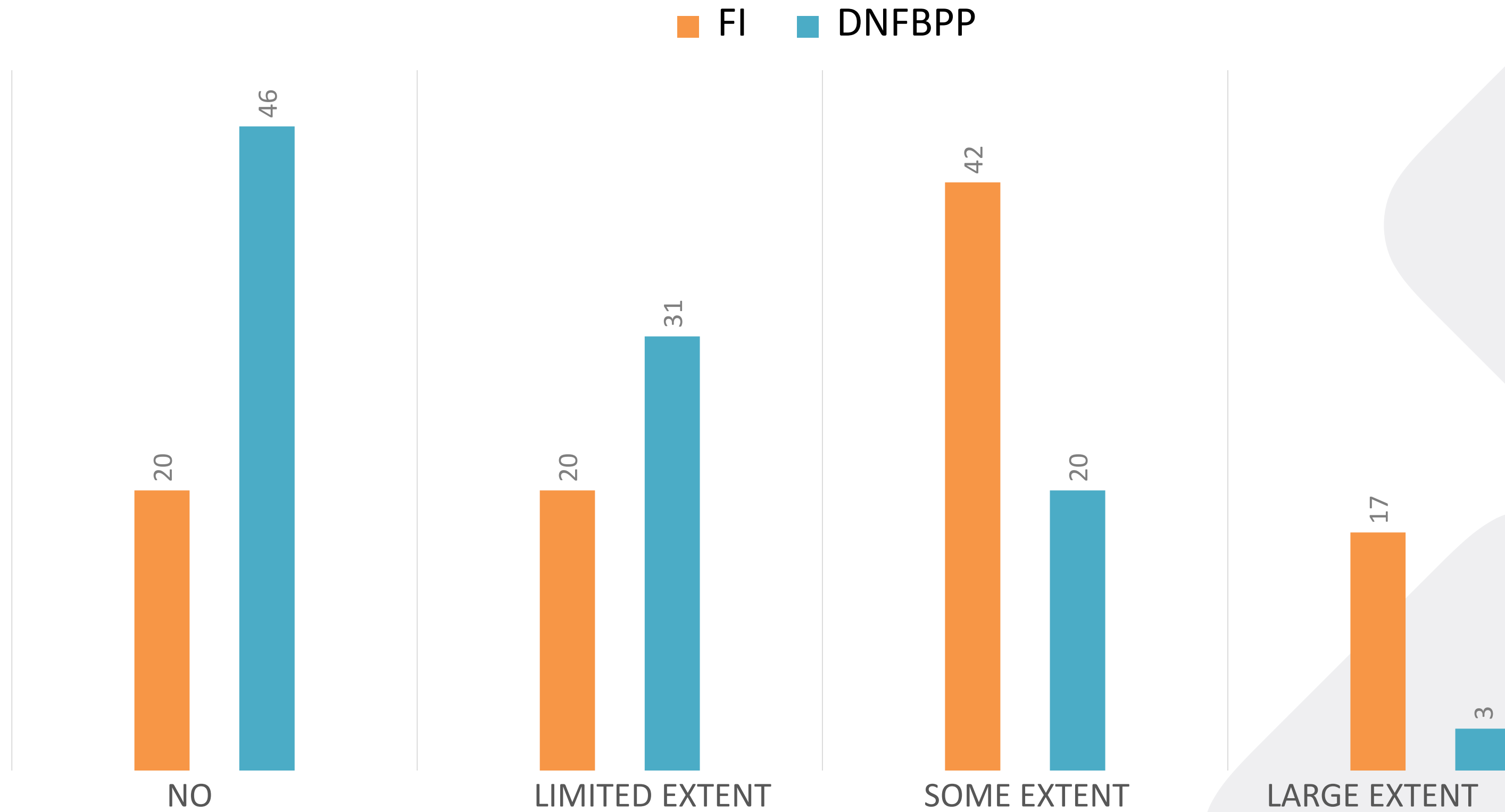


Key shortcomings: Understanding of ML/TF risks by supervisor authorities

ML/TF risks were not properly identified:

- Institutions have not assigned a ML/TF risk
- Risk knowledge varies among supervisor authorities
- Risk knowledge is based on inspections rather than products, services, customers, geography, etc. to identify institutional risks
- Limited knowledge exchange between competent authorities
- National and/or sectoral risk assessments have identified a number of risks, but data is not supported by information and analysis
- ML/TF risk is considered an integral part of operational risk, focusing on potential institutional losses (e.g., external fraud)

Key shortcomings: Risk-based approach



Key shortcomings: Risk-based approach

ML/TF risks have not been adequately identified:

- Focus, depth and frequency of supervision is primarily caused by prudential and other issues and insufficient attention to risk
- Frequency, scope, and intensity of AML/CFT supervision are not sufficiently based on ML/TF risks and need improvement, especially for large complex institutions
- Certain aspects or activities where high risks are present are not analyzed or sufficiently monitored as part of on-site inspections
- Each institution's understanding of individual risks is based on knowledge gained from general prudential oversight, annual reports, and the annual survey

Best Practices - Key Question 3.2

Understanding of ML/TF Risks by supervisor authorities

National Risk Assessment (NRA)



Sector Risk Assessment
(if not part of an NRA)



Risk assessment of a supervised
institution

Best Practices - Key Question 3.3

Risk-based supervision processes

- ❑ Adequacy of sectoral and institutional risk assessments (scope, frequency, criteria)
- ❑ How does the risk level of the reporting entity determine the scope and frequency of future supervisory actions?
- ❑ On-site and remote inspections (methodology, planning, inspection and post-inspection processes)
- ❑ Cooperation with relevant competent authorities (domestic and foreign), group-wide supervision.
- ❑ Examples of supervisory actions: remote inspections, thematic inspections (both on-site and remote), targeted inspections, full-scale inspections, meetings with key officials (e.g. Chief Compliance Officer, management), other forms of interaction with the private sector.

Best Practices - Key Question 3.6

Promoting a clear understanding of AML/CFT obligations and risks

Possible examples :

- ☐ Mandatory Guidelines;
- ☐ Guidelines;
- ☐ Trainings, seminars;
- ☐ Feedback (e.g. aggregated feedback on sectoral risks, annual reports, results of thematic reviews or strategic analyses; aggregated feedback on general deficiencies identified during on-site inspections);
- ☐ FIU feedback (typologies, etc.).
- ☐ Other forms of work with the private sector(consultations);
- ☐ Meetings (e.g. annual/quarterly meetings with key officials (e.g. Board members, Chief Compliance Officer, etc.);

The frequency and content of trainings, seminars, consultations (topics to be discussed) must be consistent with the current risks and AML/CFT requirements

Mutual Evaluation Reports

	1	26	27	28	34	35	IO.1 (risk assessment)	IO.3 (supervision)
Russia	LC	LC	LC	LC	LC	LC	Substantial	Moderate
Belarus	LC	LC	LC	PC	C	LC	Substantial	Moderate
China	LC	PC	LC	NC	PC	PC	Substantial	Moderate
Tajikistan	LC	PC	LC	PC	LC	PC	Substantial	Moderate
Kyrgyzstan	PC	LC	LC	NC	PC	LC	Low	Moderate
Spain	C	LC	C	LC	C	C	Substantial	Substantial
Malaysia	LC	C	C	LC	LC	LC	Substantial	Substantial

**Thank you for your
attention!**



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**ML/TF risk assessment in the banking sector and in the sector of non-credit financial organizations (NFOs).
Using NRA findings in supervisory activities.**

**Department of Financial Monitoring Methodology
Main Banking Supervision Department
Year of 2021**

Sectoral ML/TF Risk Assessment

Year of 2018

1

- Collection of information from all banks and selected NFOs (statistical tables, questionnaires)

2

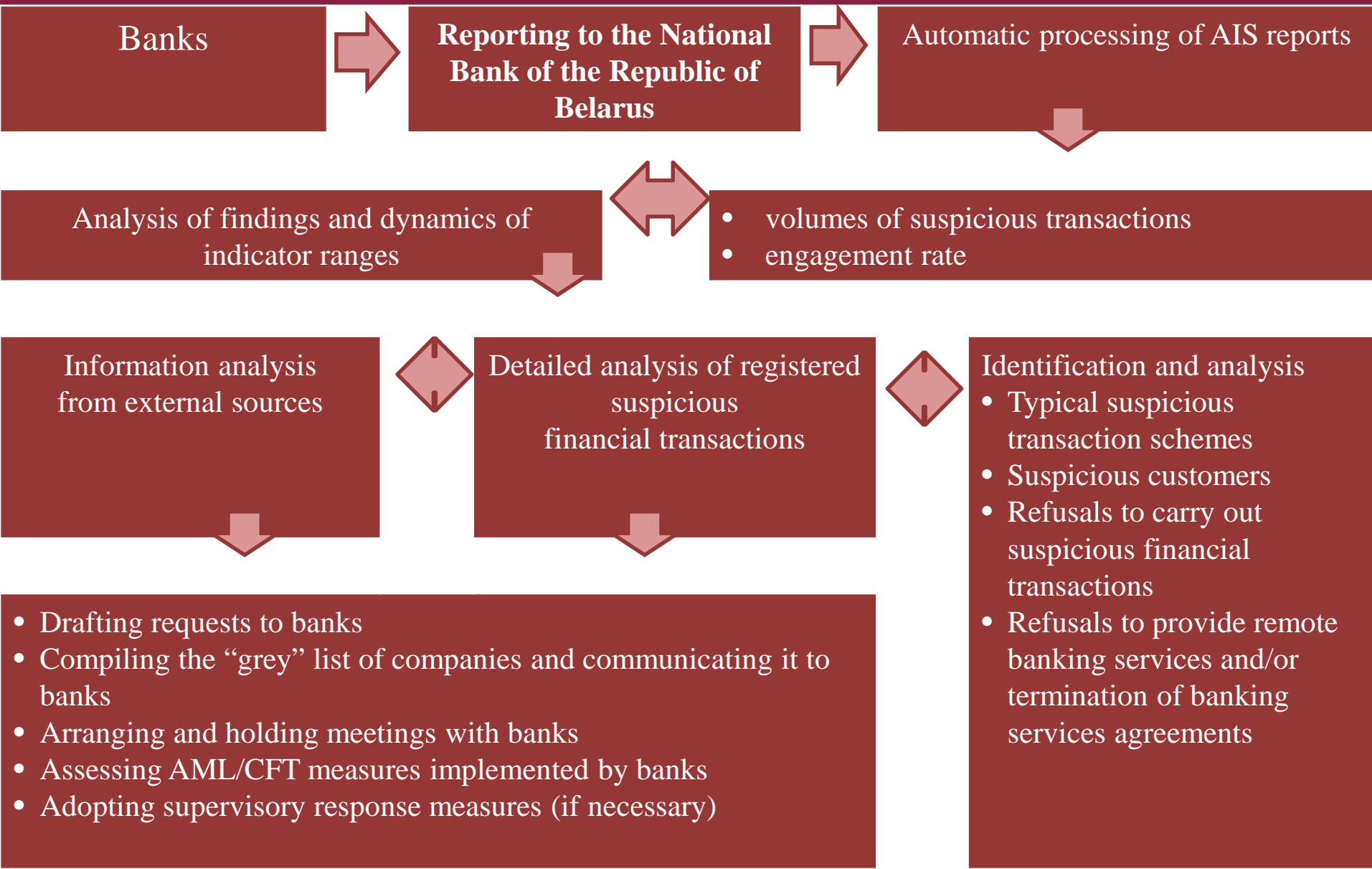
- Information analysis
- Identification of AML/CFT system vulnerabilities, probability of occurrence of adverse events
- The general level of risk based on the matrix

3

- Findings of Sectoral Risk Assessment are used for conducting the National ML/TF Risk Assessment

- The final NRA report has been approved by the Interagency Commission on ML/TF Risk Assessment under the Government of the Republic of Belarus (Minutes No. 2 of 23.10.2018)
- A summary of the report was posted in January 2019 on the National Bank website at the link:
<http://www.nbrb.by/legislation/documents/Itogi-nacionalnoj-ocenki-riskov-legalizacii-dohodov.pdf>

Scheme of AML/CFT Remote Banking Control (Supervision)



Risk-Based Control (Supervision)

Resolution of the Board of the National Bank of the Republic of Belarus dated February 27, 2018 № 82 "On approval of the criteria for assessing the risk degree".

High-risk indicator for banks – **30 points**
(supervisory inspection)

Quantitative (MAX 40)	Qualitative (MAX 60)
<p>Engagement rate for conducting suspicious transactions (maximum number of points – 3)</p> <p>up to 0.5 – 0 points from 0.5 to 1 – 1 point from 1 to 2 – 2 points 2 and more – 3 points</p>	<p>Quality of organization of the bank's corporate governance, including risk management system, internal control system, including AML/CFT and type of risk from NRA (maximum number of points – 20)</p> <p>Date of the last inspection of the bank (maximum number of points – 20)</p>

NRA: Potential ML Risks in the Banking Sector

- no information about deficiencies – 0 points
- conducting cash transactions, including currency exchange, in large amounts for legalization of criminal proceeds – 10 points
- using money transfer systems to make transfers without opening an account for ML purposes – 10 points
- using new banking products based on information technologies for ML purposes – 10 points
- using transactions for the return of money paid for goods (works, services) to the bank payment card at the sales outlet for ML purposes – 10 points
- using the system of bank correspondent accounts to make transit payments for legalization of criminal proceeds – 20 points
- receiving cross-border money transfers as loans, including interest-free loans, and as replenishment of own funds for obtaining criminal proceeds and/or for their legalization – 20 points
- embezzlement of funds from bank payment cards – 20 points
- using securities (bonds) to commit tax and corruption crimes – 20 points

Quarterly

- **Report on STRs**
- **Report on customers:**

High-Risk Customers

Politically exposed persons (PEPs)

Persons involved in terrorist activities, in respect of which the freezing of funds and blocking of transactions were made

- **Report on transactions with high ML/TF risk:**

Seizure and foreclosure on funds/property by the body in charge of the criminal process

Seizure of documents by the prosecuting authority

Annual

Information for **qualitative assessment** of the AML/CFT system functioning in the NFOs with indicators

Risk Assessment Criteria for the Selection of Inspected Microfinance Organizations in the Resolution of the National Bank of the Republic of Belarus Dated 27.02.2021 № 82 "On Approval of the Criteria for Assessing the Risk Degree".



Criterion name	Points
complete absence of local legal acts of the organization in the area of AML/CFT (policies, rules, procedures, regulations, orders, decisions, methods, job descriptions, etc.)	10
absence in the organization of an official responsible for the implementation of internal control rules, responsible AML/CFT officials	6
failure by responsible AML/CFT officials and employees involved in financial transactions to receive AML/CFT training (briefings, workshops, conferences, courses, etc.)	6
the method of transfer of special forms of registration of financial transactions subject to special control to the Department of Financial Monitoring of the Committee of Public Accounts in hard copy	4

Risk Assessment Criteria for the Selection of Microfinance Organizations Being Inspected



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failure to conduct internal AML/CFT inspections of the organization	6
information on seizure of customers' funds and other property, restrictions of the right to dispose of property, seizure of documents by the body in charge of the criminal process	6
type of risk from NRA: providing microloans in cash in an amount exceeding 1,000 basic units for money laundering	8
type of risk from NRA: usage by criminals of services offered by pawnshops and precious metal buying organizations to store and dispose of funds and property obtained by criminal means	10
type of risk from NRA: receiving cross-border money transfers as loans, including interest-free loans, and as replenishment of own funds for obtaining criminal proceeds and/or for their legalization	3

Risk Assessment Criteria for the Selection of Forex-Companies Being Inspected

type of risk from NRA: absence (non-submission) of information about the beneficial owner of the forex-company established with foreign capital participation	8
type of risk from NRA: using new services based on information technologies for the purpose of money laundering	2
type of risk from NRA: receiving cross-border money transfers as loans, including interest-free loans, and as replenishment of own funds for obtaining criminal proceeds and (or) for their legalization	3
type of risk from NRA: using stolen (lost) bank payment cards for the purpose of obtaining criminal proceeds and (or) their legalization	5

Attributing an entity to a group of entities with high degree of risk is carried out if the degree of risk assigned to the entity exceeds the established indicator of high degree of risk

Entities attributed to the group of entities with high degree of risk are considered by regulatory (supervisory) bodies for inclusion in the random inspections plans, taking into account the resources available to these bodies.

The "Svetofor" system for NFOs

High risk-

- recommendations for changes in internal control rules and other documents;
- meetings, prescriptions, removal from the register (supervisory response measures)
- supervisory inspections

Average risk-

- monitoring the situation on the basis of reporting
- request for additional information

Low risk-

- collection of reports

Thank you for your attention!

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of the Republic of Belarus

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Sectoral Risk Assessment in DNFBPs

AML Bureau, PBOC

2021.10.15





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SRA Methodology

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outcome overview

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challenges and difficulties

05

application and experience

PART 1: Introduction

- In 2020, the PBOC launched a new round of SRA on DNFBPs.
- It covers accountants, lawyers, notaries, real estate agents, DPMS, CSP.



PART 2: SRA Methodology

Threat assessment

Vulnerability assessment

PART 3: outcome overview

1. ML/TF risk in DNFBP sectors is lower than that in Financial sector.

2. SRA outcome is consistent with the level of development of China's DNFBP market.

3. ML/TF risks in legal, accounting and notarial sectors.

4. ML/TF risks in real estate, precious metal and CSP sectors.



PART 4: challenges and difficulties

Large volume of DNFBPs

- e.g. China has 473 thousand practicing lawyers, 107,654 certified public accountants, 9,393 accounting firms, 99,544 real estate development companies, and 267,456 real estate agents.



Developing market and sectoral associations

- not long since transformation to a market economy.
- market and sectoral associations still under development.

Insufficient sectoral supervision

- limited understanding of business in real estate and precious metal sectors.
- inadequate communication.

PART 5: application and experience

1. Needs to transform to RBA supervision

- rule-based approach no longer catches up with an environment of rapid change in financial market.



2. Importance of conducting SRA

- promote competent authorities to recognize risks and build consensus.
- help to identify supervision focus.
- draft sectoral AML/CFT regulations.

3. Transformation to dynamic supervision

- dynamic progress of both SRA and supervision.



Thank you!



ML/TF Risk Assessment Methodology Based on the Example of Real Estate Sector



2021

Assessment Methodology



The Sectoral ML/TF Risk Assessment (SRA) is carried out separately for each sector – i.e. for anti-money laundering legislation stakeholders in order to:

- ensure effective supervisory activities and apply a risk-based approach (RBA)
 - develop mechanisms and measures to identify and reduce ML/TF risks

Based on the results, a SRA report is generated, which has the following structure:

I. General characteristics of the sector

II. Characteristics of threats

III. Vulnerability characteristics

IV. The level of risk of using the sector in ML/TF schemes



V. Risk mitigation measures

Assessment Methodology



Stage 1. The general characteristics of the sector include the study of:

- sector boundaries (number of entities registered with the supervisory authority);
- segmentation of the sector (by the nature of services, business size, federal districts);
- industry and regional features

Conclusion on stage 1: *the points of concentration of risks in individual segments of the sector are determined*

Stage 2. Threat characteristics include the study of:

- requests obtained from law enforcement agencies, tax authorities, prosecutors, governmental authorities;
- citizens' appeals;
- financial investigations results and reports on the results of supervisory activities;
- criminal cases/predicate offenses/typologies;
- assessments of credit institutions (STRs, denial of service);
- information from the mass media

At this stage, attention is drawn to the role of the subject in illegal actions

Conclusion on stage 2: *the threat level is assigned on a four-level scale (high, increased, moderate, low) according to the selected assessment methodology*



Assessment Methodology

Stage 3. Vulnerability characteristics include the study of:

- legal framework;
- sector regulation;
- results of supervisory activities

At this stage, attention is drawn to the presence/absence in the sector of specialized legislation, an authorized supervisory authority/regulator, core operations for ML/TF purposes, and the level of the sector's law-abidance

Conclusion on stage 3: *the level of vulnerability is assigned on a four-level scale (high, increased, moderate, low), according to the selected assessment methodology*

Stage 4. The characteristics of the consequences (damage) include the study of harm:

- to the state (consequences for state interests)
- economy (economic implications for the market)
- citizens (social consequences)
- international organizations (financial, reputational implications)

Conclusion on stage 4: *the level of consequences (damage) is assigned on a four-level scale (high, increased, moderate, low) according to the selected assessment methodology*



Assessment Methodology

Stage 5. The level of risk of using the sector in ML/TF schemes is determined by comparing the results of assessing threats, vulnerabilities and consequences (damage) in order to classify the risk of using sector entities in illegal schemes

Conclusion on stage 5: *the main conclusion is made about the level of risk in the sector, in which key areas it manifests itself and with the participation of which segment of the sector. The risk level of ML/TF is assigned on a four-level scale (high, increased, moderate, low) based on:*

- a) levels of threat assessment, vulnerability, consequences (damage)*
- b) the scale of the sector, the share of sector entities involved in illegal schemes*

Stage 6. The development of risk mitigation measures is based on the results of a comparative analysis conducted at the previous stage of the study

The following measures of influence are being developed:

- interagency nature
- supervisory response
- subjects of the sector

National Risk Assessment Methodology



FATF GUIDANCE

National Money Laundering and Terrorist Financing Risk Assessment

February 2013



"...private sector may prove to be the best source of information in many areas. Contributors from the private sector that may provide essential input to the national ML/TF risk assessment process may include various institutions, organizations and entities...."

Survey Process with the Use of Personal Account on the Rosfinmonitoring Website



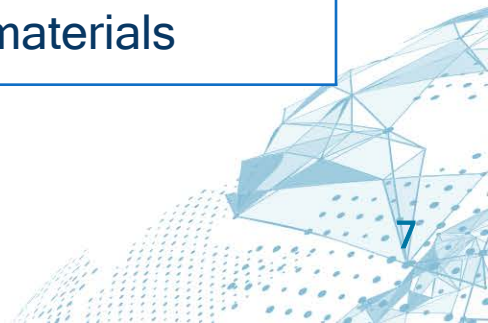
Creating a survey taking into account the views of representatives of private sector

Placement of the survey in Personal Accounts of subjects

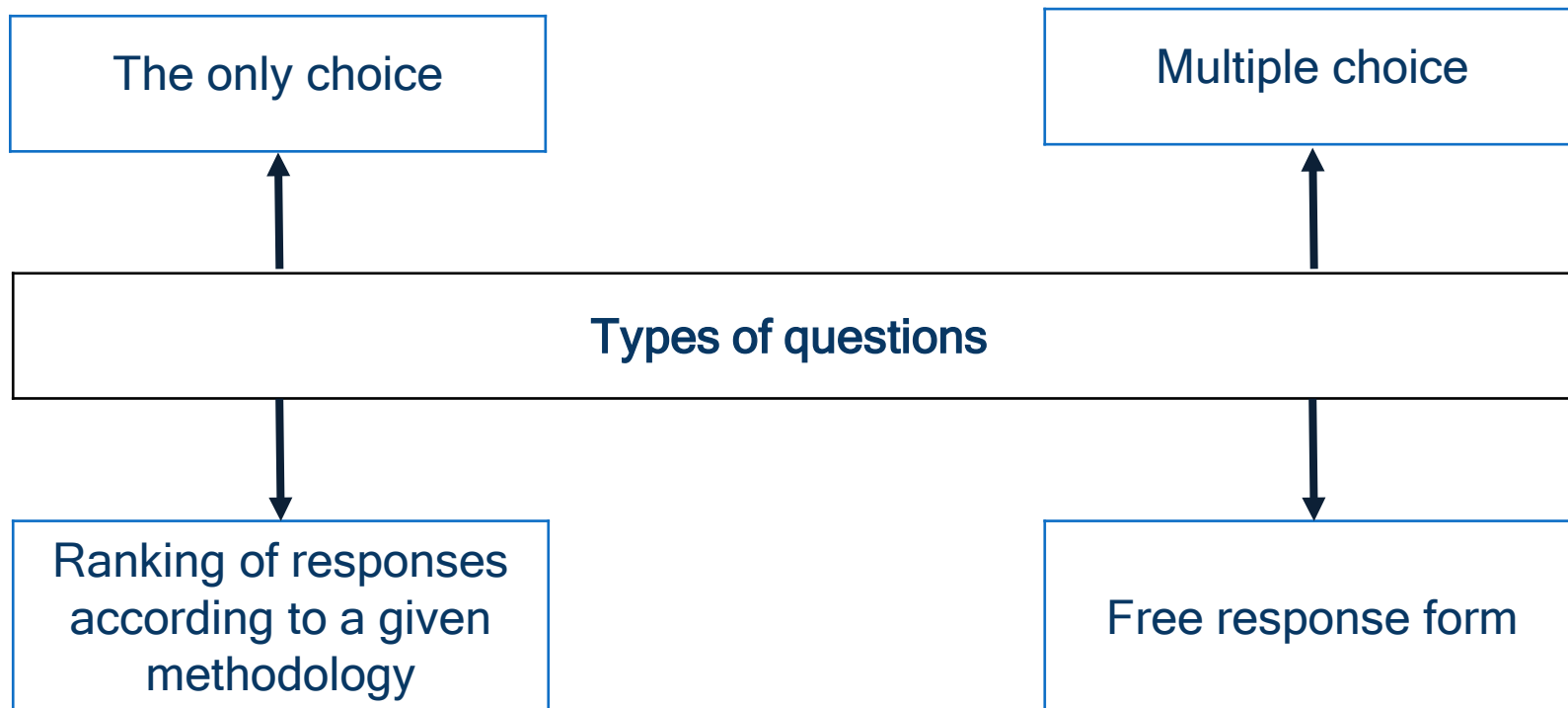
Completion of the survey in automated form by representatives of private sector

Automatic aggregation of results / construction of graphs and charts

Using the results in informational and analytical materials



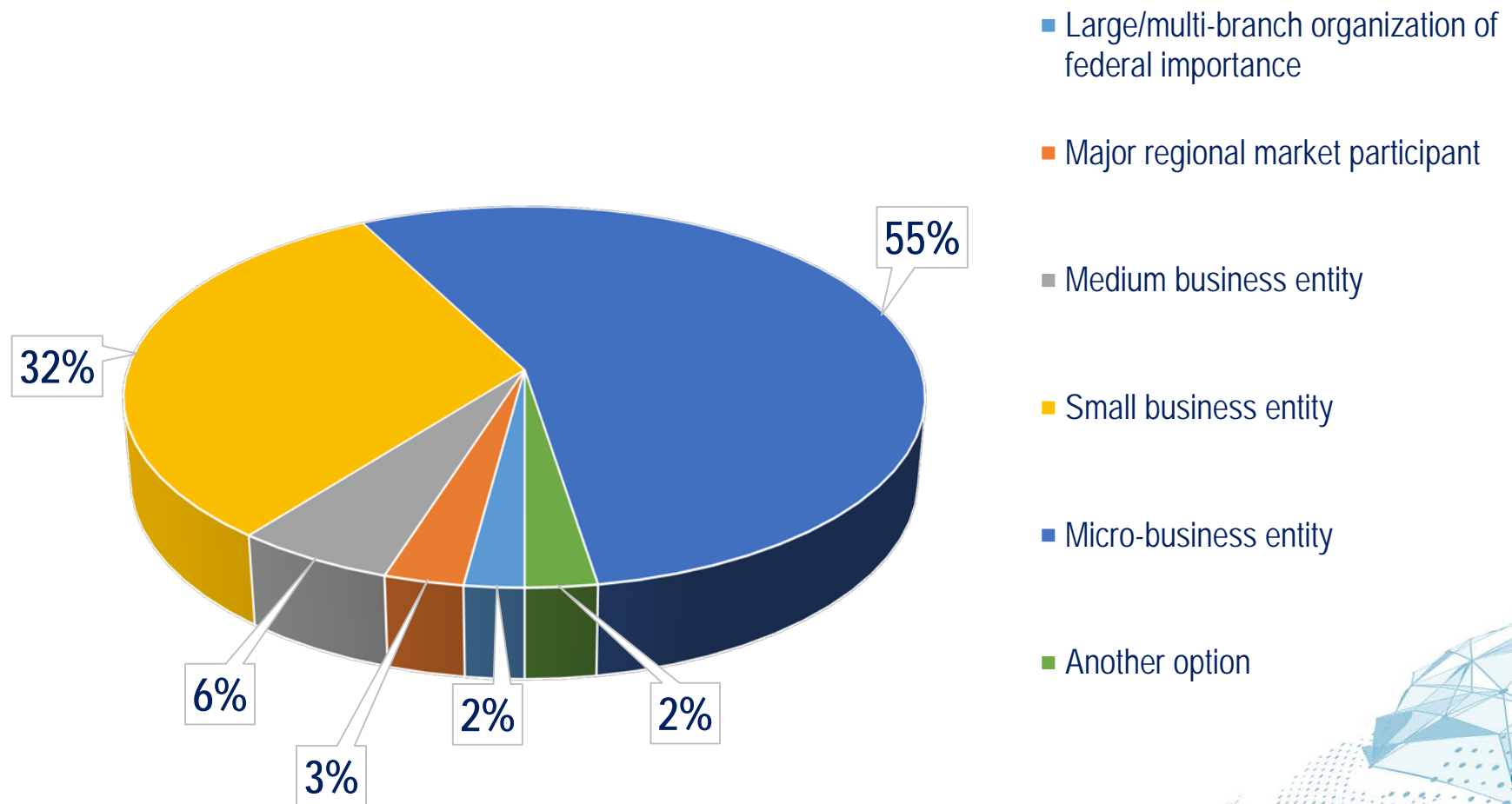
Survey with the Use of Personal Account on the Rosfinmonitoring Website



Real Estate Agents Survey with the Use of the Personal Account on the Rosfinmonitoring website



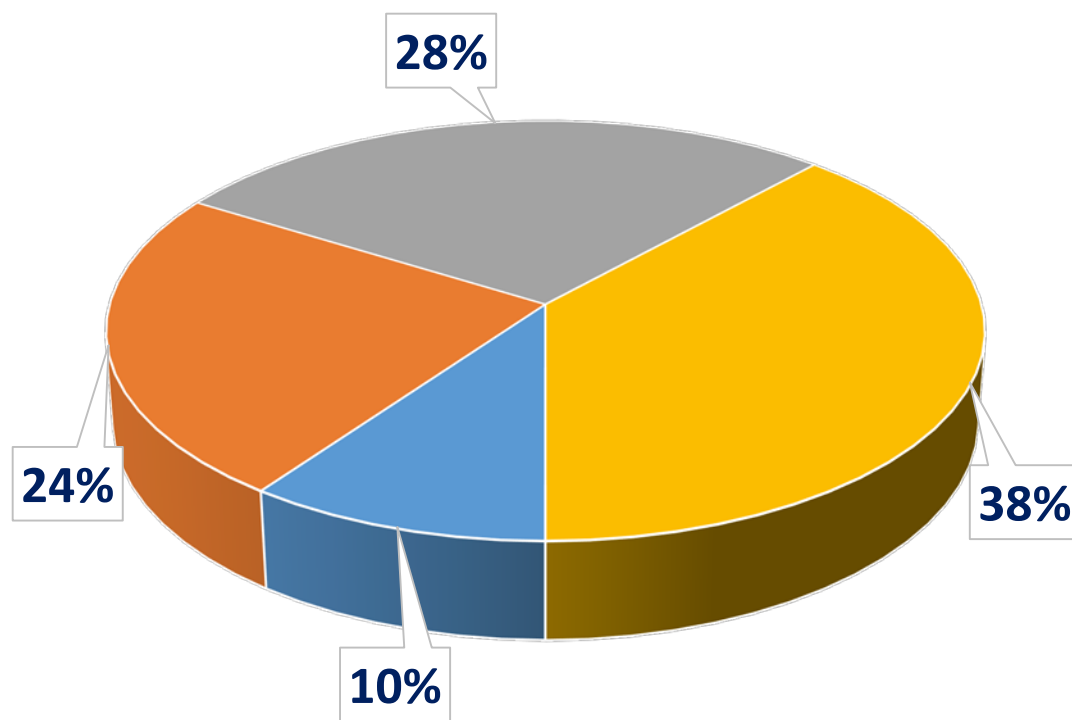
About 1,000 respondents took part in the survey



Answers to the Real Estate Agents Survey



How do you assess the trends in the intermediary sector of the real estate market:

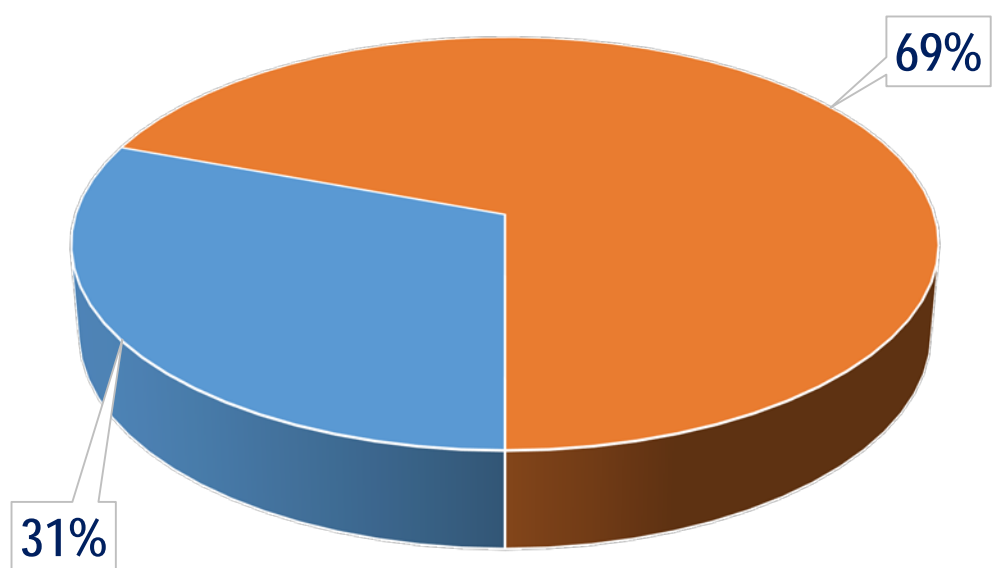


- There is a significant increase in the demand for intermediary services in the real estate market
- There is a slight increase in the demand for intermediary services in the real estate market
- Service demand remains at pre-crisis level
- There is a decrease in the demand for intermediary services in the real estate market

Answers to the Real Estate Agents Survey



What, in your opinion, are the prospects for intermediary activity in the real estate market in the medium term?

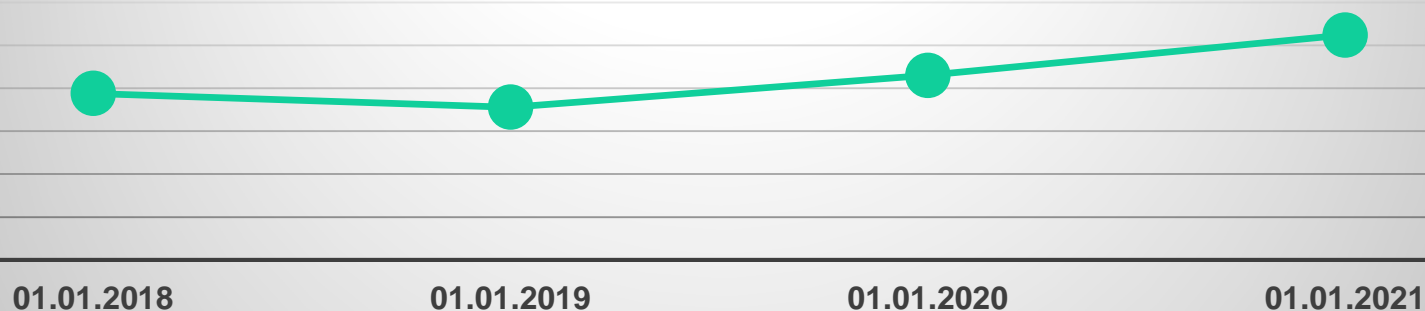


- Traditional services provided by a real estate agent will gradually be replaced by online services (marketplaces), including by organized banks that provide mortgage products
- Services rendered by a real estate agent will remain in demand

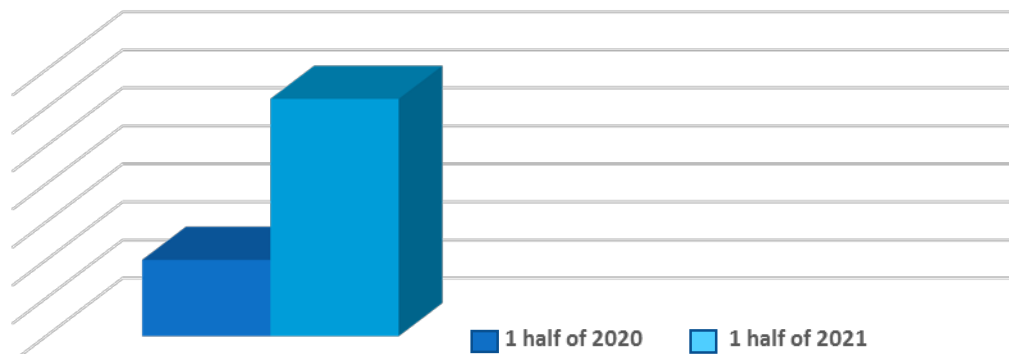
VULNERABILITY



Number of real estate agents who submitted suspicious transaction reports



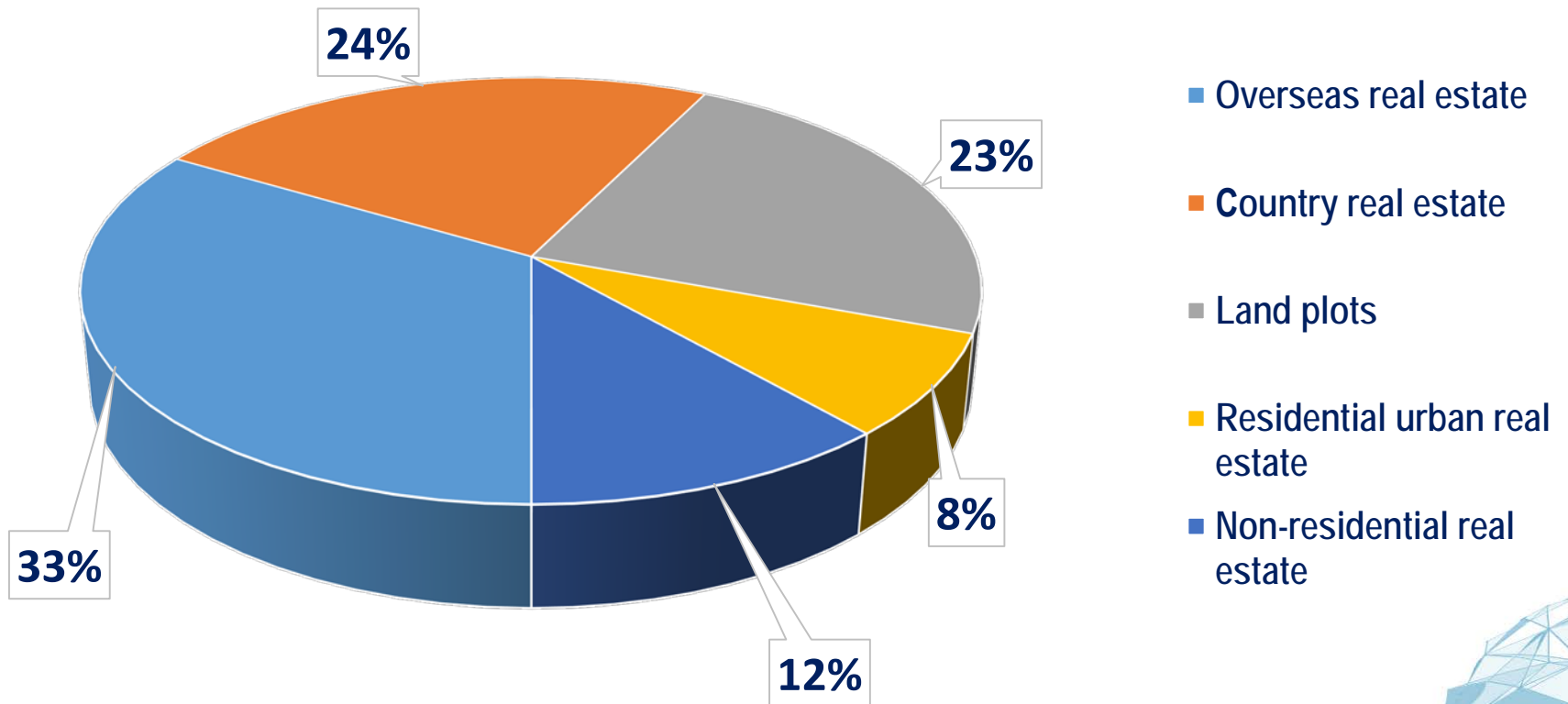
Dynamics of submission of the STRs by real estate agents



Answers to the Real Estate Agents Survey



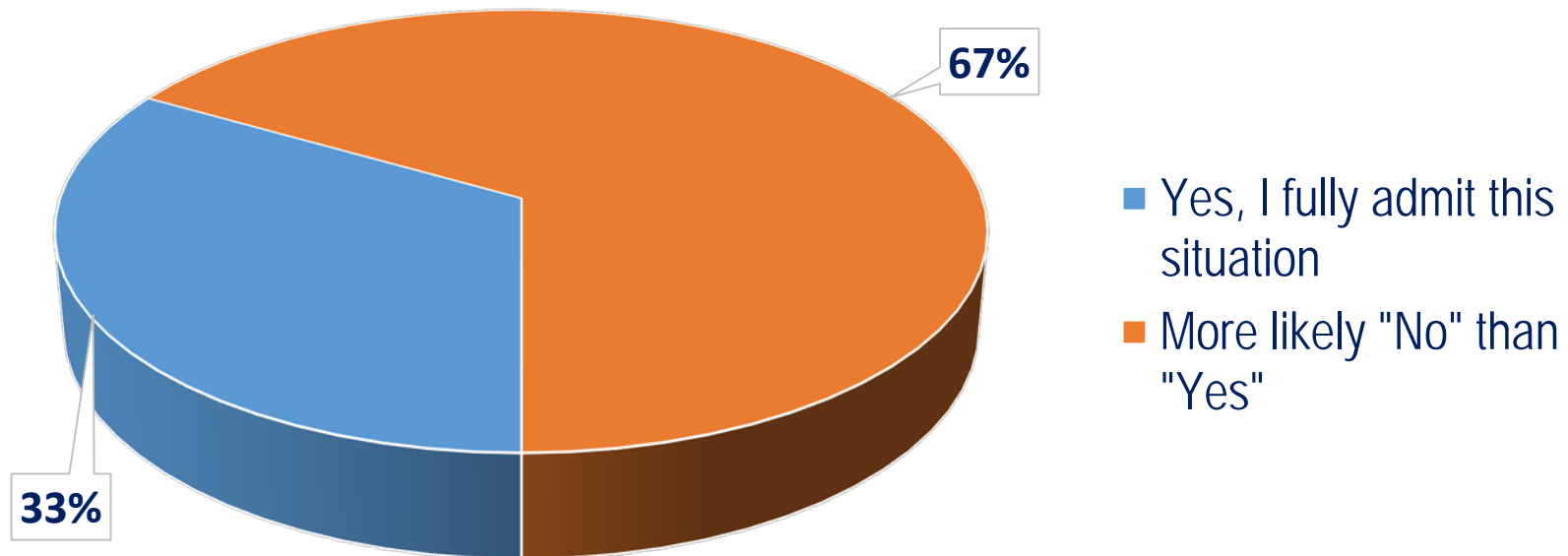
What real estate objects, in your opinion, are the most attractive for investment of criminal proceeds?



Answers to the Real Estate Agents Survey



How do you think if a criminal will use the services of a real estate agent to purchase/sell real estate objects?



RISKS



- the analysis of sentences on economic and corruption crimes shows insignificant participation of real estate agents in criminal schemes with real estate
- the facts of using the sector's infrastructure for TF purposes have not been identified

to a large extent, the risks of involving the sector in illegal schemes (risk of fraud, corruption, drug trafficking) are leveled by state control (tax, pension, customs legislation), as well as by financial institutions



the significant scale of the real estate agent sector, identified threats and identified vulnerabilities enable us to make a *conclusion about a **moderate** level of threat, a **moderate** level of vulnerability, and, as a result, a **moderate** level of risk of using the sector for ML purposes, as well as a **low** level of TF risk*



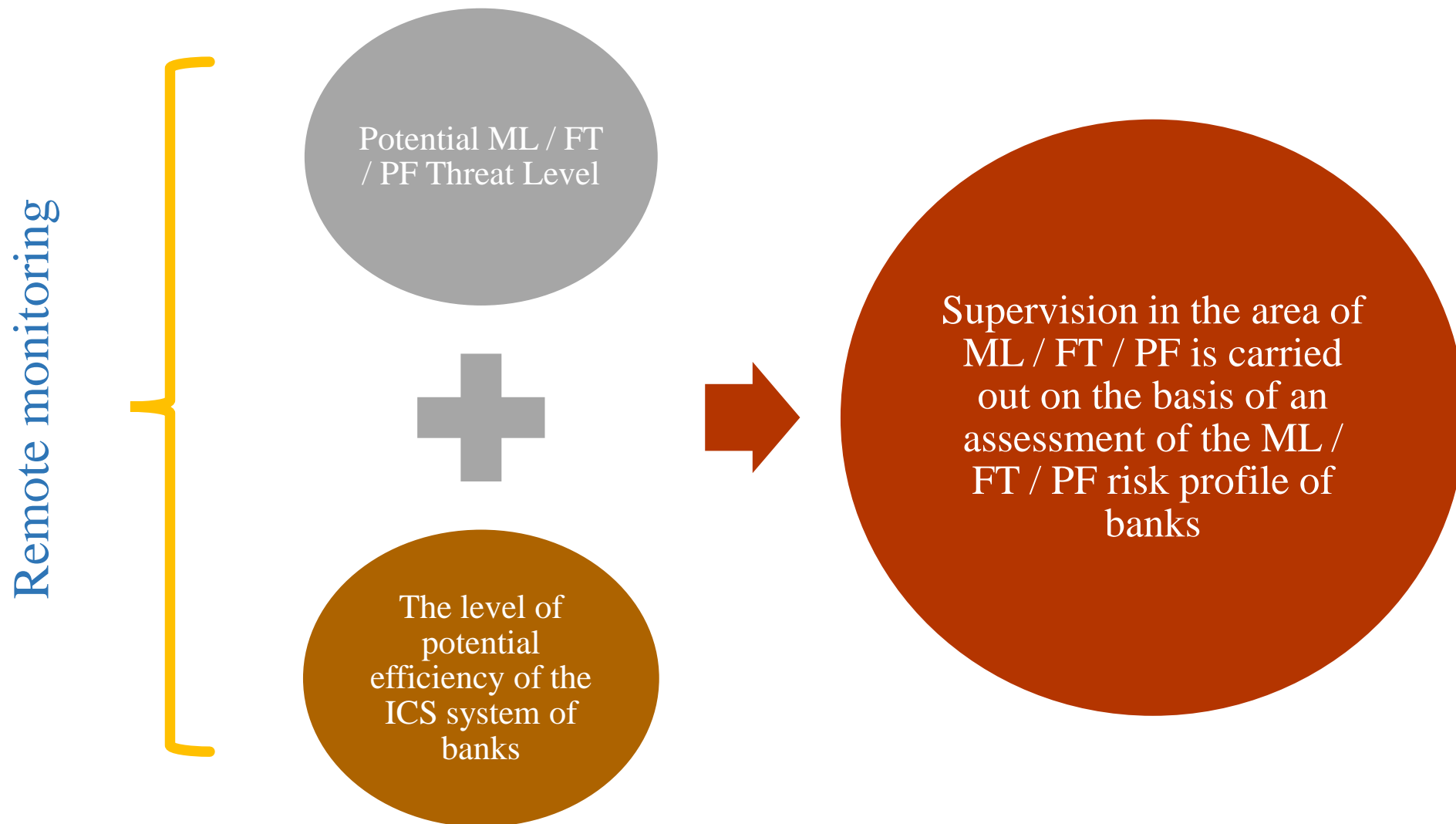
CENTRAL BANK OF THE REPUBLIC OF UZBEKISTAN

*Risk-oriented AML / CFT / CPF supervision in commercial
banks*

*Department for Coordination of Financial Monitoring and
Currency Control*

Tashkent- 2021

Methodology for the supervision of the Central Bank in the area of AML / CFT / CPF



Components for assessing the potential threat of ML / FT / PF and the potential efficiency of the ICS system of banks

Potential threat of ML / TF / FROMU (qualitative and quantitative indicators)

- banking operations classified as a high level of risk based on the results of SRA and RBA;
- bank customers and their operations;
- the systemic importance of banks;
- the number of non-residents, PEPs and their volume of transactions;
- the number of criminal cases initiated against clients;
- the number of high-risk clients and the volume of their transactions;
- statistics on international payments and money transfers;
- other indicators required for a preliminary assessment of the level of potential ML / FT / FP threats of banks.

Potential efficiency of the banks' ICS system

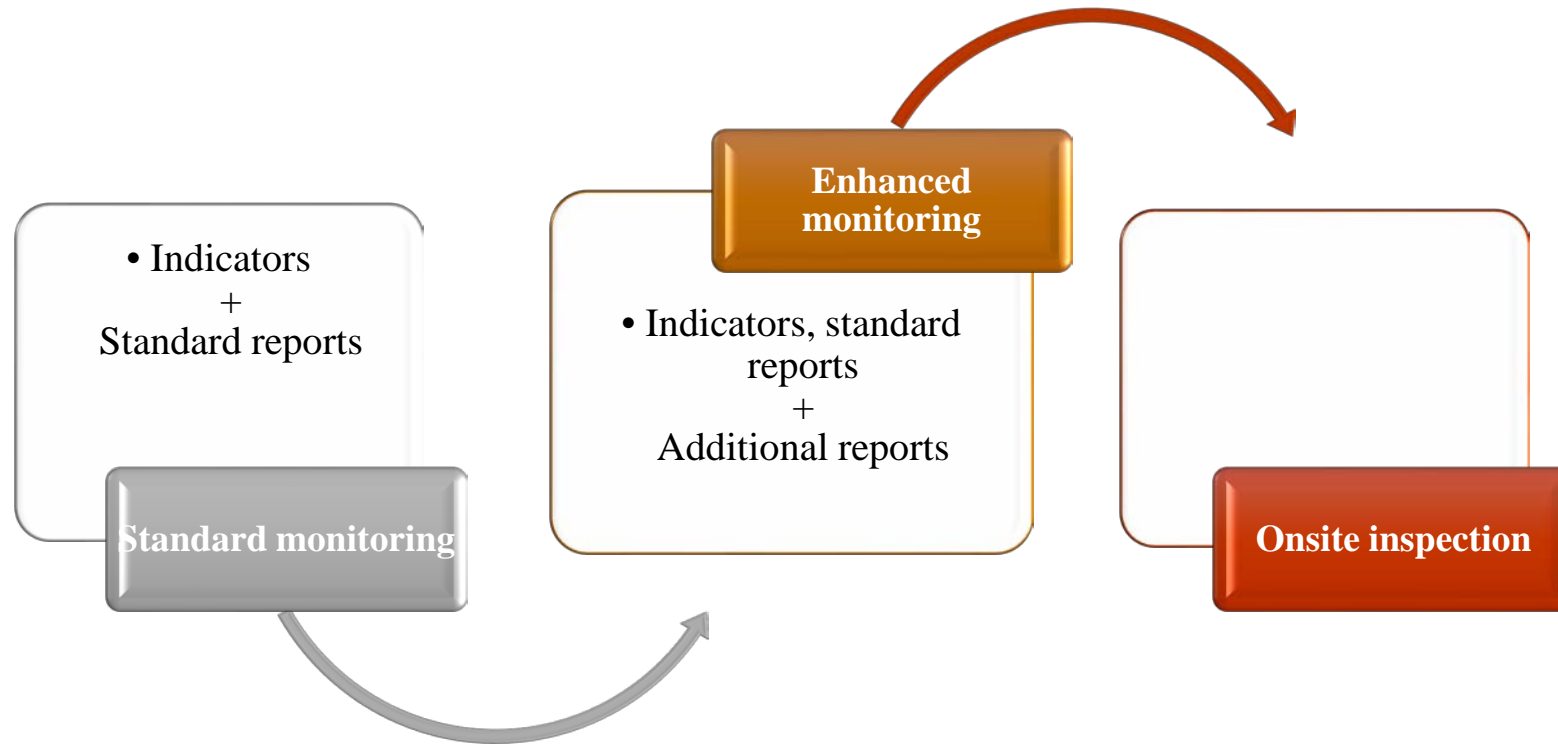
- date and period of the last inspection;
- number of suspicious transaction reports and analytical data on them;
- deficiencies identified during the last inspection by the Central Bank;
- information related to the organization of internal control of banks;
- results of routine monitoring and enhanced monitoring;
- the results of an interview with the head of the ICS on the organization of the bank's internal control system;
- questions and questionnaires related to the organization of internal control (availability and completeness of relevant procedures, level of automation of the AML / CFT system, etc.)
- other indicators required for a preliminary assessment of the level of potential efficiency of the internal control system of banks.

Matrix for determining the degree of supervision

- Each studied indicator is assessed on a maximum 10-point scale, and the scores scored for the indicators are summed by the weighted value. To calculate the weighted value of indicators, special coefficients have been developed based on the level of significance of indicators. Based on the points scored, *the level of potential ML / TF threat* in banks is assessed (high, medium, low).
- The potential efficiency of the banks' internal control system* is also assessed on a maximum 10-point scale for each indicator, the scores for the indicators are summed up according to the value weighted based on the corresponding coefficients, and the level of efficiency (high, medium, low) is assessed according to them.
- Based on the level of potential ML / TF threat and the level of potential effectiveness of the bank's internal control system, the matrix is used to determine the level of supervision of banks in the area of AML / CFT.

		Potential Effectiveness of the Internal Control System			
		High	Moderately high	Moderately low	Low
Potential ML / TF Threat	High	Enhanced monitoring	Enhanced monitoring	Onsite inspection	Onsite inspection
	Medium	Standard monitoring	Enhanced monitoring	Enhanced monitoring	Onsite inspection
	Low	Standard monitoring	Standard monitoring	Enhanced monitoring	Enhanced monitoring

According to the results of the assessment, banks are divided into three categories, according to which they fall under:



Based on the results of the assessment, a memo is prepared, which, after agreement with the supervising deputy chairman, is submitted for consideration to the Banking Supervision Committee.

The Banking Supervision Committee makes a decision either to carry out an on-site audit or to continue enhanced monitoring in relation to high-risk banks.

Standard monitoring includes:

- monitoring of key indicators (for customers, transactions, as well as indicators designed to assess the effectiveness of the internal control system);
- monitoring of transactions identified as posing a risk in accordance with the SRA and RBA, in particular:
- monitoring of transactions on banking products and services that pose a risk in accordance with the SRA and RBA;
- monitoring of transactions for clients posing risk in accordance with the SRA and RBA;
- monitoring of transactions through channels for the sale of banking products and services that pose a risk in accordance with the SRA and RBA;
- monitoring transactions for countries posing a risk in accordance with the SRA and RBA;
- monitoring of transactions, where one of the parties is a person permanently residing, residing or registered in a state that does not participate in international cooperation in the field of combating money laundering and terrorism financing;
- monitoring of operations with offshore zones;
- monitoring of transactions carried out through RB systems (mobile application, Internet banking, etc.);
- monitoring of risks associated with the introduction of new banking products and services;
- monitoring of transactions related to the purchase of shares of commercial banks, and the study of shareholders and sources of funds for the purchase of shares;
- monitoring of other risk factors required for a preliminary assessment of the banks' risk profile.

Enhanced monitoring includes:

monitoring of transactions identified as posing a risk based on the results of standard monitoring, including transactions on banking products and services, by distribution channels, by countries posing a risk in accordance with the results of standard monitoring;

monitoring of transactions identified as posing a risk based on the results of on-site and thematic audits, including transactions on banking products and services, by distribution channels, by countries posing a risk in accordance with the results of on-site and thematic audits;

monitoring of vulnerabilities identified during standard monitoring;

monitoring of vulnerabilities identified during on-site and thematic inspections;

other necessary measures carried out within the framework of remote monitoring to fully assess the risk profile of banks (for example, to increase the frequency of reporting).

Monitoring tools

System of indicators;

Reporting system;

Questionnaires;

Polls;

Testing;

Interview with the management and the head of the bank's internal control service;

Internet resources (including news channels, bank websites, social networks, instant messengers, etc.) with regularly updated information related to the activities of banks, banking products and services, etc .;

Other tools that allow you to obtain information for a full assessment of the risk profile of banks.

Банки

- БАНК 1
- БАНК 10
- БАНК 11
- БАНК 12
- БАНК 13
- БАНК 14
- БАНК 15
- БАНК 16
- БАНК 17
- БАНК 18
- БАНК 19
- БАНК 2
- БАНК 20
- БАНК 21
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- БАНК 4
- БАНК 5
- БАНК 6
- БАНК 7
- БАНК 8
- БАНК 9

Центральный банк
Риск ориентированный надзор в сфере ПОД/ФТ

Риск профиль банка

НАЗВАНИЕ
БАНКА

БАНК 1

Потенциальная
угроза ОД/ФТ

Средняя

ЭИВК

Умеренно высокое

Степень
надзора

Усиленный
мониторинг

Выездная
проверка

Вы... Ст... Ус...

- БАНК 3
- БАНК 5
- БАНК 10
- БАНК 13

Усиленный
мониторинг

Вы... Ст... Ус...

- БАНК 1
- БАНК 2
- БАНК 4
- БАНК 6
- БАНК 7
- БАНК 8
- БАНК 9
- БАНК 11
- БАНК 12
- БАНК 14
- БАНК 15
- БАНК 16
- БАНК 17
- БАНК 18
- БАНК 19
- БАНК 20
- БАНК 21
- БАНК 22
- БАНК 26
- БАНК 27
- БАНК 28
- БАНК 29

Стандартный
мониторинг

Вы... Ст... Ус...

- БАНК 23
- БАНК 24
- БАНК 25
- БАНК 30
- БАНК 31
- БАНК 32

THANK YOU FOR ATTENTION!



CENTRAL BANK OF THE REPUBLIC OF UZBEKISTAN

Sectoral ML/TF risk assessment in commercial banks

*Department for Coordination of Financial Monitoring and
Currency Control*

Tashkent- 2021

- In accordance with Article 7 of the Law of the Republic of Uzbekistan "On Countering the Legalization of Proceeds from Criminal Activity, Financing of Terrorism and Financing the Proliferation of Weapons of Mass Destruction“, “Organizations carrying out transactions with monetary funds or other property are obliged in their activities to systematically, at least once a year, conduct a study, analysis and identification of possible risks of money laundering, terrorist financing and the financing of the proliferation of weapons of mass destruction, document the results of the study and take appropriate measures to reduce the identified risks.

Methodology for assessing risks associated with money laundering, terrorist financing and financing the proliferation of weapons of mass destruction in the banking sector

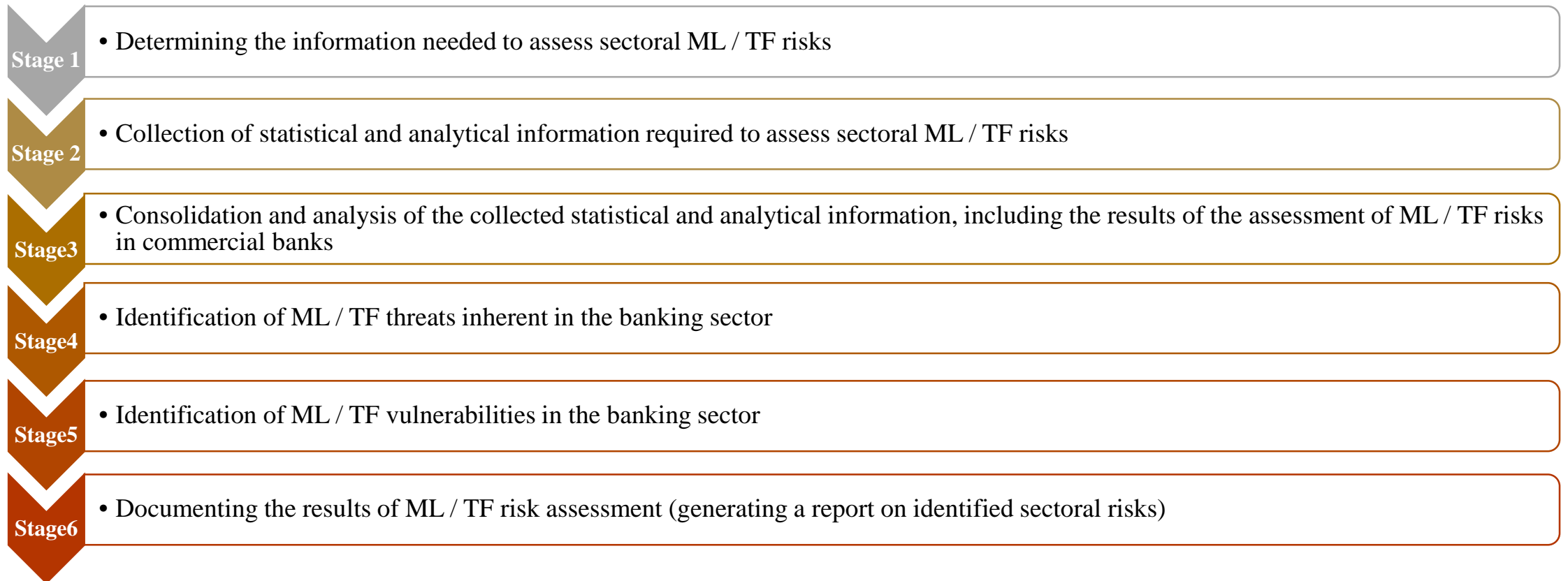
- The identification and assessment of ML / TF risks inherent in the banking sector, in the context of this methodology, is carried out according to the following four risk categories:
- Clients (by type of clients and by type of their activity);
- Products & Services;
- Channels for the sale of products and services;
- Features of the geographical "presence".

Methodology for assessing risks associated with money laundering, terrorist financing and financing the proliferation of weapons of mass destruction in the banking sector

- **threat** - a person or group of persons, object or activity that can potentially harm, for example, the state, society, economy, etc. (For example, terrorist groups and their leaders, funds; obtained from criminal activity; crimes: drug trafficking, fraud, etc., which are a source of criminal proceeds);
- **vulnerability** - a set of organizational, regulatory, logistical and other deficiencies that impede the activities of banks and can, under certain conditions, lead to the realization of a threat (For example, deficiencies in AML / CFT systems and controls, frequent use of cash in comparison with electronic money systems, a low level of awareness within the banking sector about signs of abuse for ML or FT purposes, etc.);

Methodology for assessing risks associated with money laundering, terrorist financing and financing the proliferation of weapons of mass destruction in the banking sector

Sectoral ML / TF risks are identified in six stages:



Methodology for assessing risks associated with money laundering, terrorist financing and financing the proliferation of weapons of mass destruction in the banking sector

- In the first stage of risk assessment, the focus is on collecting information. To this end, the Central Bank employees develop a set of statistical tables and send them to banks for filling out, including a wide range of quantitative indicators for the analyzed period, and a questionnaire for a qualitative assessment of the AML / CFT system functioning in banks.
- During the development of statistical tables, the Central Bank also undertakes a number of consultations with a wide range of stakeholders, including representatives of banks.

Methodology for assessing risks associated with money laundering, terrorist financing and financing the proliferation of weapons of mass destruction in the banking sector

A set of statistical tables includes the following information:

the number and size of banks' assets;

the number of clients, their types of activities and the volume of operations carried out;

a list of products and services, the number of customers and the volume of transactions on them;

statistical data on the channels for the sale of products and services;

the volume of international transactions by country;

the volume of transactions of high-risk clients;

the number of on-site inspections, identified violations and shortcomings, response measures taken by the Central Bank;

questions and questionnaires related to the organization of internal control (availability and completeness of relevant procedures, level of automation of the AML / CFT system, etc.).

Methodology for assessing risks associated with money laundering, terrorist financing and financing the proliferation of weapons of mass destruction in the banking sector

- ML / TF risks (High / Moderate-High / Moderate / Moderate-Low / Low) are assessed depending on the combination of the respective threat and vulnerability levels based on the risk assessment matrix.

ML / TF risk		Threat		
		low	moderate	high
Vulnerability	low	low	moderate low	moderate
	moderate	moderate low	moderate	Moderate high
	high	moderate	Moderate high	high

Taking into account the results of the sectoral risk assessment in supervisory activities in the area of AML / CFT

According to the Methodology of Supervisory Activities of the Central Bank of the Republic of Uzbekistan in the field of AML / CFT / CFP, remote supervision of the activities of commercial banks is carried out on the basis of a risk-based approach, which in turn is divided into two levels:

- Standard monitoring;

- Enhanced monitoring.

At the same time, standard monitoring also includes the monitoring of transactions identified as posing a risk in accordance with the SRA and RBA, in particular:

- monitoring of transactions on banking products and services that pose a risk in accordance with the SRA and RBA;

- monitoring of transactions for clients posing risk in accordance with the SRA and RBA;

- monitoring of transactions through channels for the sale of banking products and services that pose a risk in accordance with the SRA and RBA;

- monitoring of transactions by countries posing a risk in accordance with the SRA and RBA.

Chronology of SRA and RBA synchronization

- In 2019, the Central Bank, together with a specially authorized state body, carried out an assessment of ML / TF risks in the banking sector (SRA), the results of which were taken into account in the national assessment of the risks of money laundering and terrorist financing (RBA).
- At the same time, in 2020, the sectoral risk assessment report was updated taking into account the results of the national risk assessment of money laundering and terrorist financing.

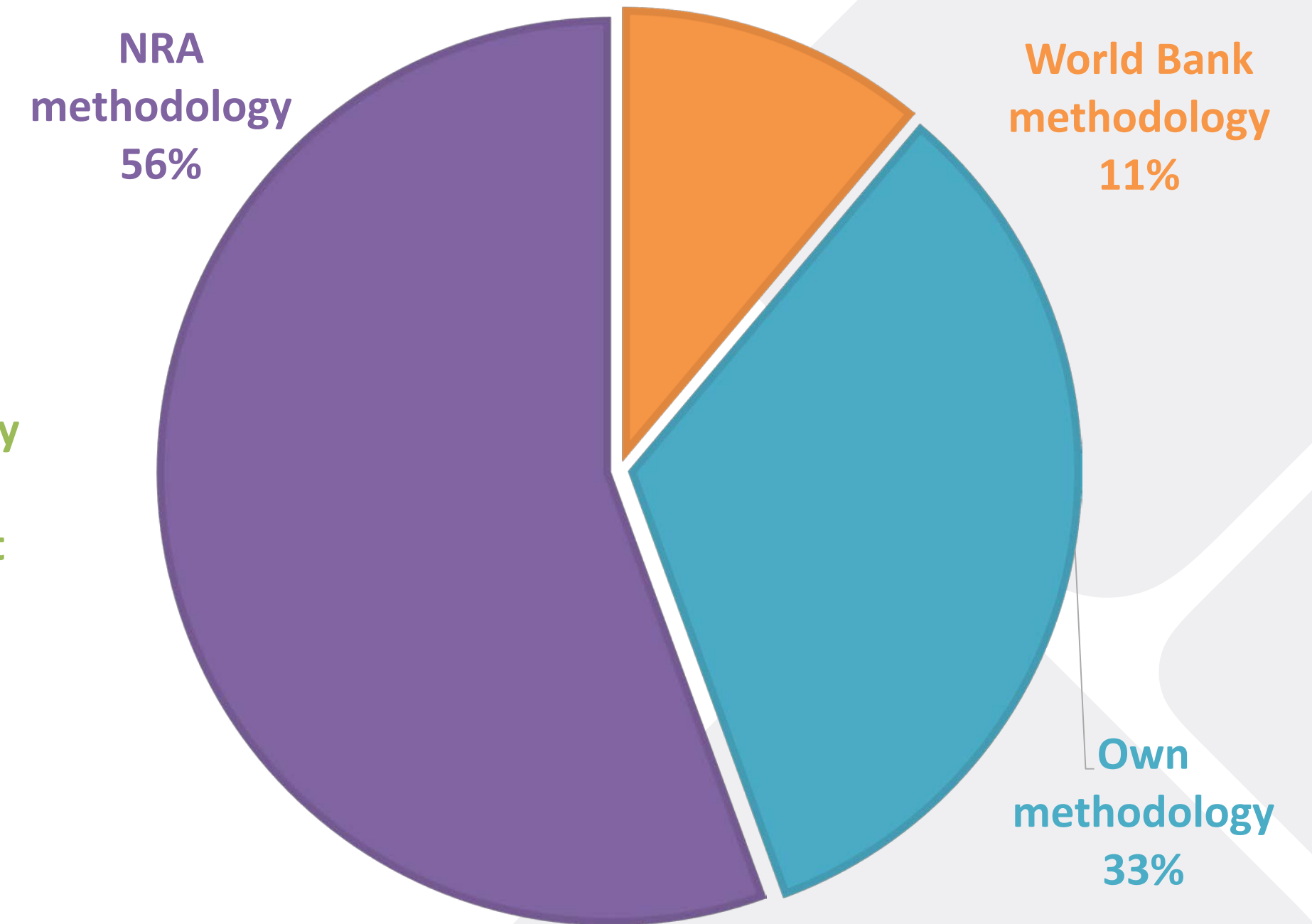
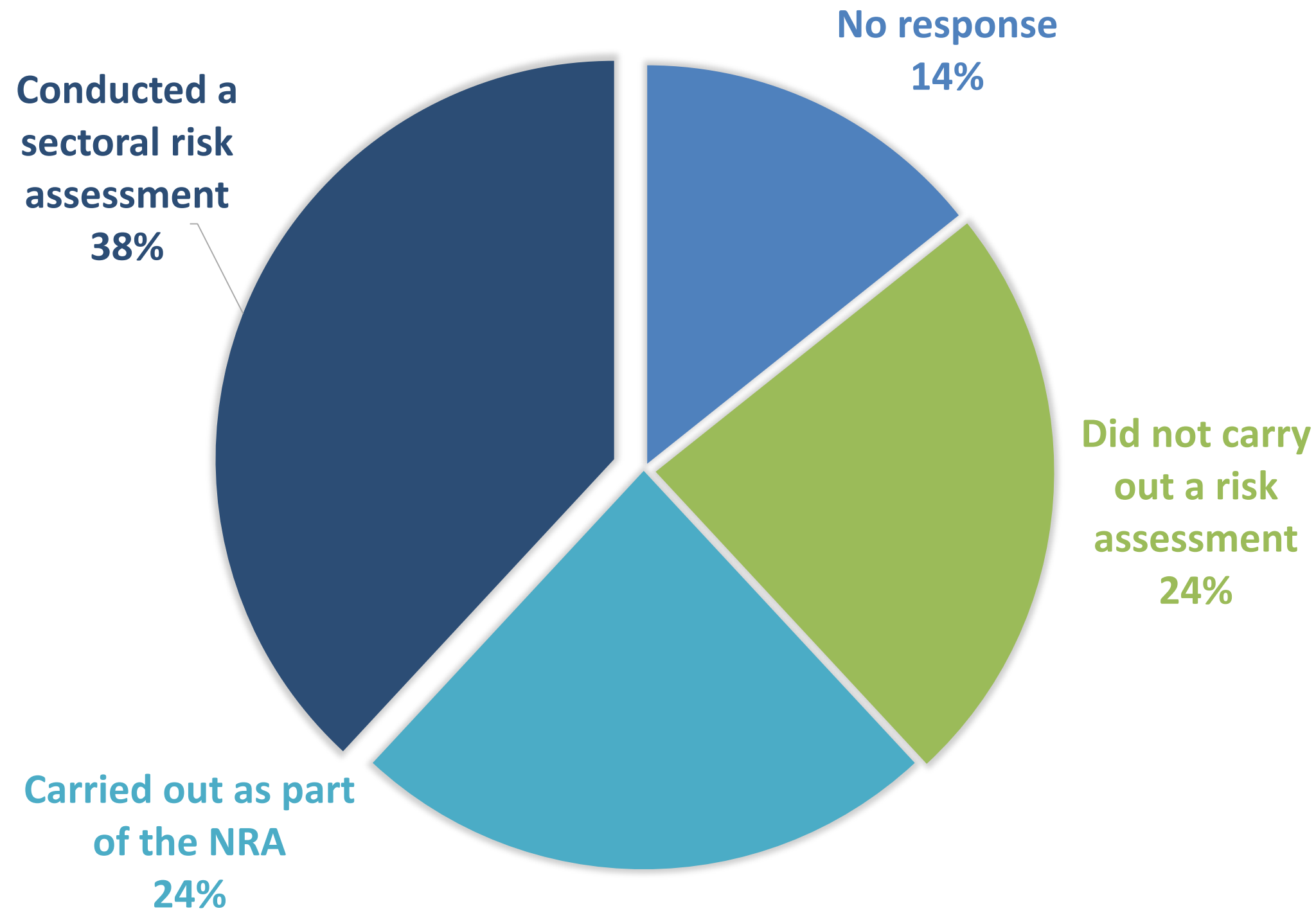
Thank you for attention!

Key findings of the preliminary survey

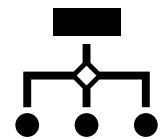
Eurasian group on combating money laundering and financing of terrorism (EAG)

EAG questionnaire

(22 supervisors from 7 countries responded)



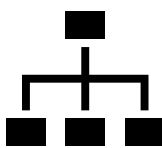
The main challenges in conducting a risk assessment



Gathering information from reporting entities



Lack of experience in conducting ML/TF SROs



Gathering information on threats



Lack of resources



***In a few cases, there is a lack of understanding by supervisors of their duty to assess ML/TF risks
(3 DNFBP supervisors)***

Risk assessment	Applying IT technology	Others
Methodological support <i>(SRA methodology, consultation/guidance on identifying typologies)</i>	<ul style="list-style-type: none">• Automating risk assessment	Training <i>(explanation of FATF standards, supervision of DNFBPs, licensing controls in postal services)</i>
Experience-sharing workshops <i>(conducting SRAs, applying RBA)</i>	<ul style="list-style-type: none">• Identification of PEPs, including as part of the use in the risk assessment	More specific operational guidelines, such as Regtech and Suptech principles, methods and best practices
	<ul style="list-style-type: none">• Identification of negative trends in the activities of supervised organisations	
	<ul style="list-style-type: none">• Strengthening interaction<ul style="list-style-type: none">- with the private sector- between government agencies	International cooperation <i>(supervision of VASPs)</i>

**Thank you for your
attention!**