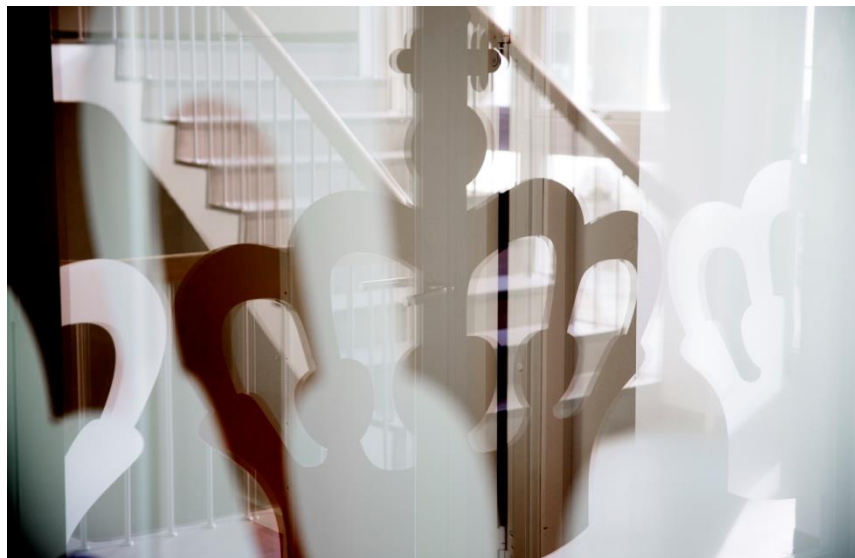


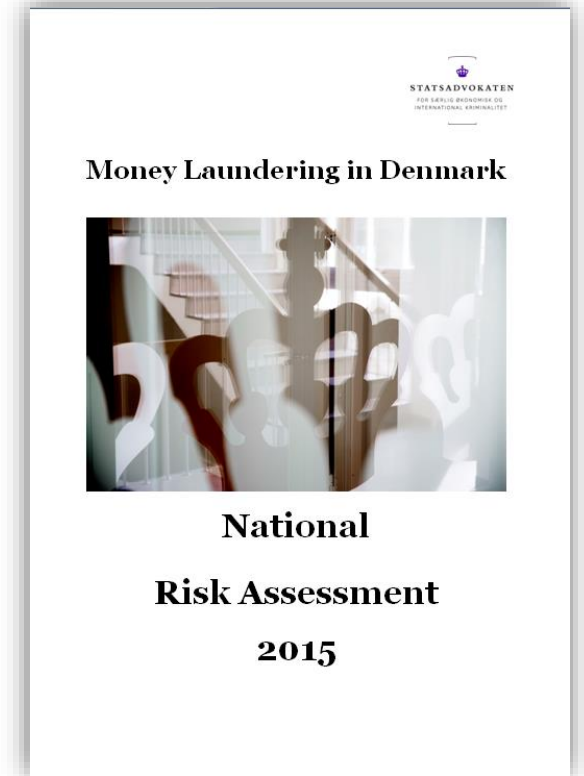


Preparing the Danish National Risk Assessment of Money Laundering 2015

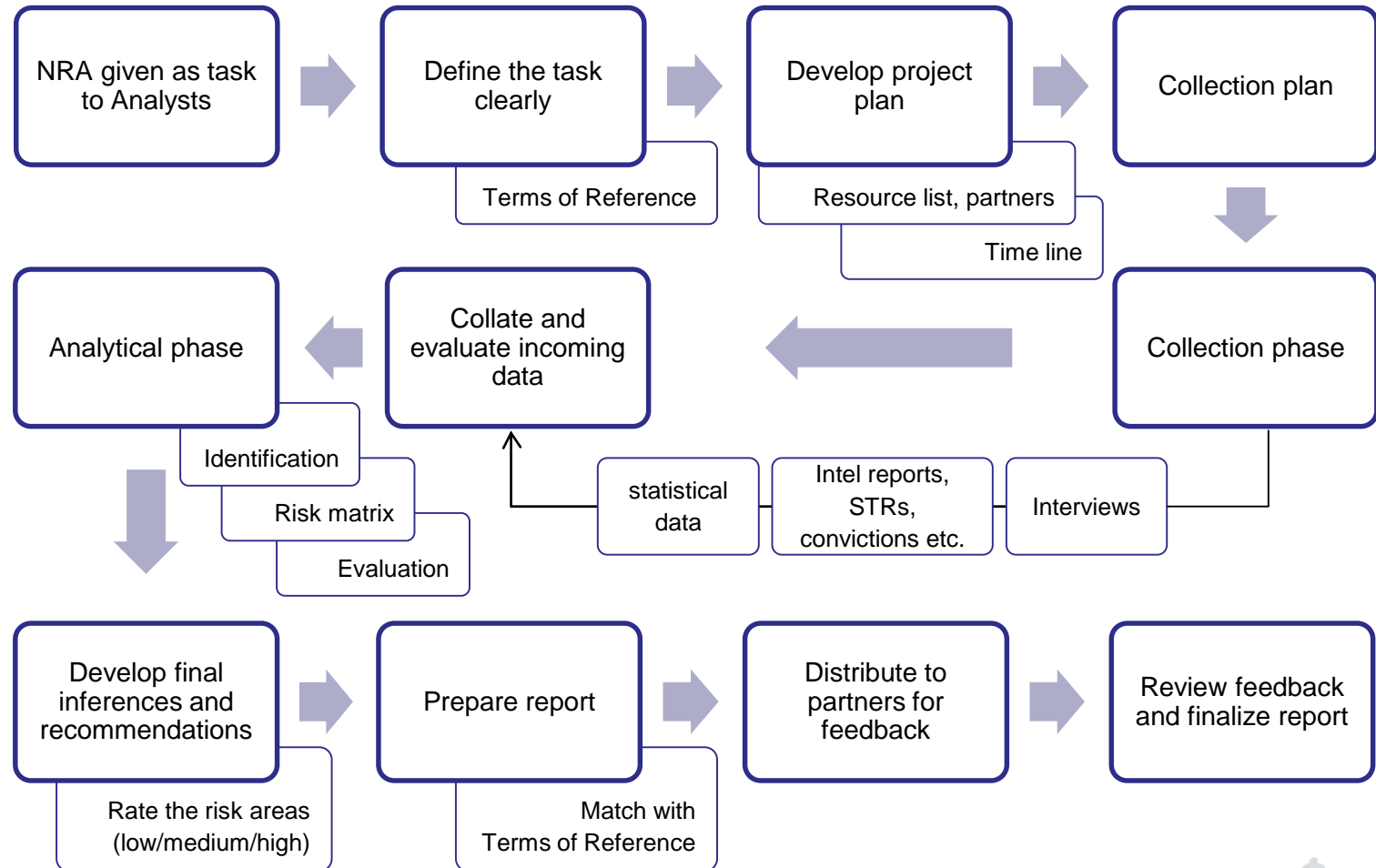


Agenda

- Overview of the NRA process
- Project organization
- Methodology
- Source of information
- Outcome
- Lessons learnt



Process flow chart



22-08-2016

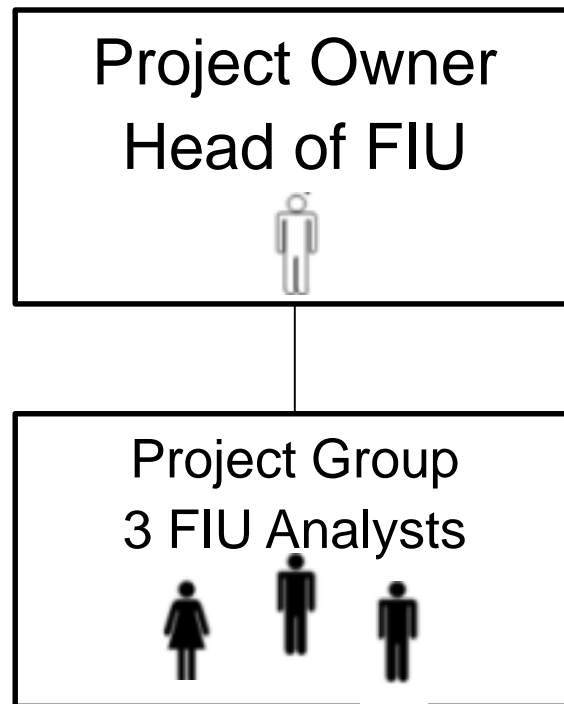
Side 3

Flow-chart inspired by

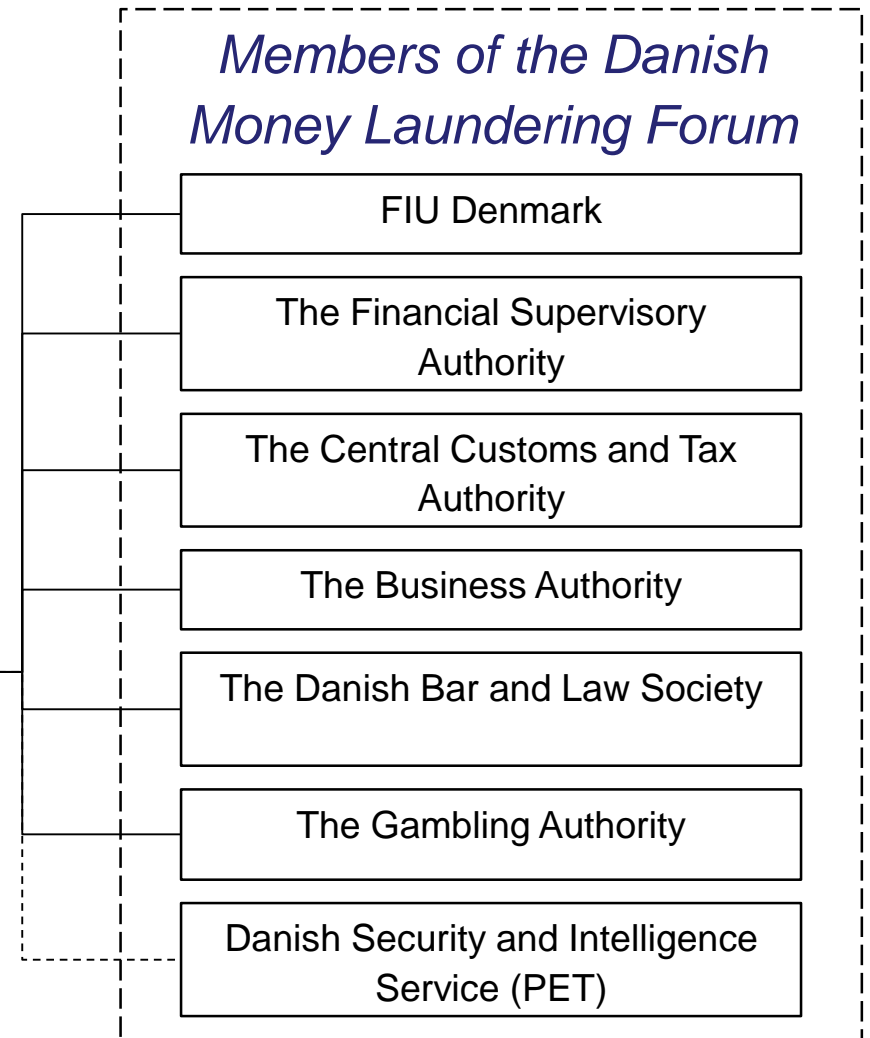
1. McDowell (2009: 20) Strategic Intelligence & Analysis – Guidelines on Methodology & Application



Project organization



Partners



*Dialog with partners were bilateral.
Partners were involved in evaluation
of risk areas under their supervision.*



Project organization

Working with partners

- Process
 - Interview with key persons within Authority
 - Feedback on draft of NRA
- Contribution from partners
 - Knowledge about actors / part of supervised sector struggling to comply with AML legislation
 - Limited knowledge about actual ML abuse in supervised sector



Project organization

Working with partners

- Experience for consideration
 - Verbal statements vs. written answers
 - Internal approval process can be lengthy
 - Commitment to recommendations are not given



Methodology

- Key Questions
 - How do we select money laundering risk areas¹ for in-depth assessment?
 - How do we assess the money laundering risk of each risk area?

1. Risk areas are defined as sectors, systems, products or services in Denmark that may be used in the process of disguising the origin of criminal funds



Methodology

Identification of risk areas

- Step 1. Identify gross list of ML risk areas based on:
 - Interview with FIU analysts
 - Review of reports from FATF, Egmont etc.
- Step 2. Select net list of ML risk areas (for in-depth assessment) based on:
 - Indicators of abuse of the ML risk area in Danish criminal cases



Methodology

Risk assessment

- Risk is assessed using six set criteria
 - Two criteria concerning **Threat**
 - Two criteria concerning **Vulnerability**
 - Two criteria concerning **Consequence**
- Model inspired by the Australian National Threat assessment on Money Laundering 2011 ¹ and the Norwegian (ØKOKRIM) Threat Assessment of Economic Crime 2011-2012

1. As described in FAFT Guidance - National Money Laundering and Terrorist Financing Risk Assessment (2013: 51)



Methodology

Risk matrix

RISK FACTOR		Low risk (1 p.)	Medium risk (2 p.)	High risk (3 p.)
Threat	SCOPE	Few with abilities and capacity	Some with abilities and capacity (or unknown)	Many with abilities and capacity
	DEVELOPMENT	Less than previously	Status quo (or unknown)	More than previously
Vulnerability	ACCESSIBILITY (Ease of use)	Difficult	Moderate	Easy
	COUNTER-MEASURES	Significant	Limited	Non-existent
Consequence	ECONOMIC LOSS	Low loss	Moderate losses	Heavy losses
	CONSEQUENCE TO SOCIETY	Little or no significance	Moderate Significance	Great significance

Methodology

Risk matrix

- Total risk = sum of points
 - Minimum score: 6 points (all criteria rated LOW)
 - Maximum score: 18 points (all criteria rated HIGH)
 - High = 3 points
 - Medium= 2 points
 - Low = 1 point
 - Unknown = 2 points
- Each criteria is weighted equally
- In case of equal risk scores a qualitative assessment is made as to which risk area should be ranked on top



Sources of information

- STRs
- Criminal intelligence reports / crime statistics
- Court documents
- FIU Analysts / Investigators
- Partners
- Academic / private research (i.e. concerning organized crime, substance abuse, tax losses, Tax havens etc.)
- Reports from FATF, IMF, Europol etc.



Outcome

	Threat		Vulnerability			Consequence		Risk rating
	Extent	Trend	Attractiveness/ Ease of use	Counter measures	Economic loss	Consequence for society at large		
Risk Areas								
Bureaux de change	High	High	High	High	High	High	High	
Legal entity structures	High	High	High	Medium	High	High	High	
Money remitters and transfer agents	High	High	High	Medium	High	High	High	
Cross-border movement of cash	High	High	High	Medium	High	High	High	
The banking sector	High	Medium	Medium	Low	High	High	High	
The gaming sector	Medium	Medium	High	High	Low	High	High	
High-value goods	High	Medium	Medium	Medium	High	High	High	
Service providers	Unknown	Unknown	Medium	High	High	High	High	
Electronic payment services	Low	High	Medium	High	Low	High	High	
Lawyers and auditors	Low	Unknown	Medium	Medium	High	High	High	
Life insurance and pension funds	Low	Medium	Low	Low	Low	Low	Low	

17 points

Risk score	
High	High
Medium	Medium
Low	Low
Unknown	Unknown

7 points



Recommendations

- Examples of recommendations to authorities for some areas, e.g.:
 - Increase number of inspections
 - Increase number of criminal investigations
 - Improve the fit & proper process for licensing
 - Use of benchmark on reporting
 - Use of special tools to detect possible ML



Lessons learnt

- Include private sector as partners
- Information from partners should be provided in writing (and not verbally through interview)
- Project Organization should be anchored within the Danish Money Laundering Forum to enhance commitment

