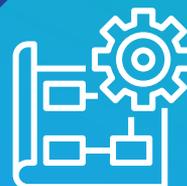




WORLD BANK GROUP



RBA Toolkit

**Risk-Based Approach to
AML/CFT Supervision and Monitoring**

Transition to Risk-Based Supervision and Monitoring

The risk-based approach to AML/CFT shifts the focus from compliance to outcomes. The transition from a traditional rule-based approach to a risk-based one may be challenging. The World Bank's RBA Toolkit is an advisory package that aims to support supervisors in this process. It is designed to provide practical support to supervisors in creating an effective regulatory environment for AML/CFT.

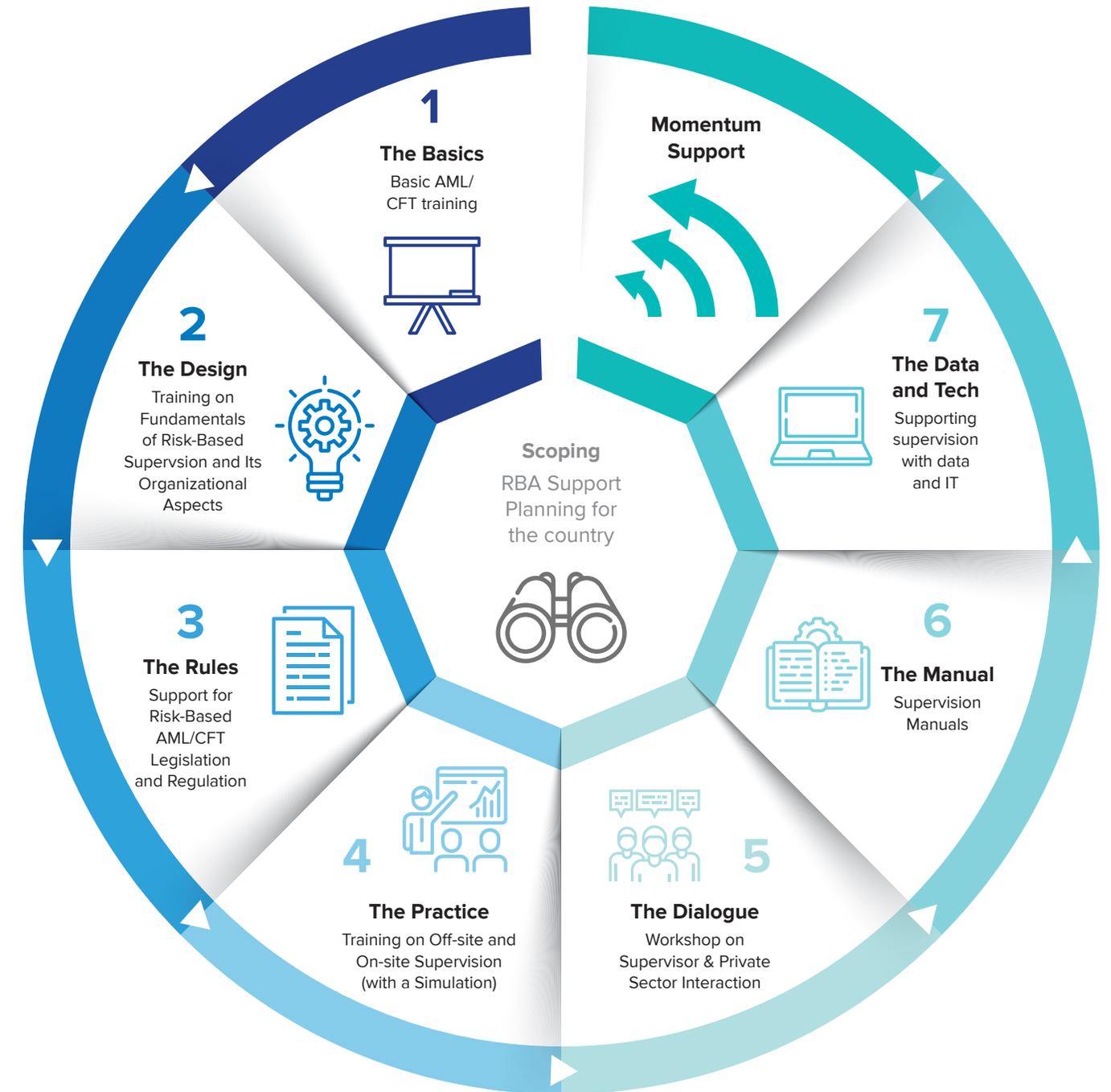


Public-Private Dialogue Workshop in Zimbabwe

This program supports every aspect of risk-based supervision and monitoring of anti-money laundering and counter-terrorism financing controls.

- Actionable knowledge
- Actual case-examples
- Practical exercises
- Ready-to-use tools

*“Tell me and I forget.
Teach me and I remember.
Involve me and I learn”
- Chinese Proverb*





1. The Basics

A one-day workshop that covers the basic concepts of AML/CFT, and the FATF's 40 Recommendations with a focus on risk-based supervision. This module is recommended especially if there are new supervisors among trainees.

Duration 1 Day



2. The Design • CORE MODULE

This module focuses on the risk-based design of the AML/CFT supervision framework for all financial sector supervisors. It includes exercises on current supervisory responsibilities, powers, and activities to test if these are aligned with the risks of the sectors as evaluated by the national risk assessment. Some practical tools for supervision strategies and planning are introduced in preparation for Module 4.

Duration 3 Days

Output Inputs to Module 3
RB Supervision strategies for each sector



3. The Rules

Module 3 offers remote support to review if AML/CFT laws and regulations accommodate a risk-based approach. Outputs of Module 2 should also inform this exercise. Experts will review the country's legal framework and provide guidance on possible improvements to better accommodate the risk based approach, and eliminate rule-based inflexibilities. If needed, this review can be supported with an on-site workshop.

Duration 3 months

Output Suggestions for possible improvements in laws and regulations



4. The Practice • CORE MODULE

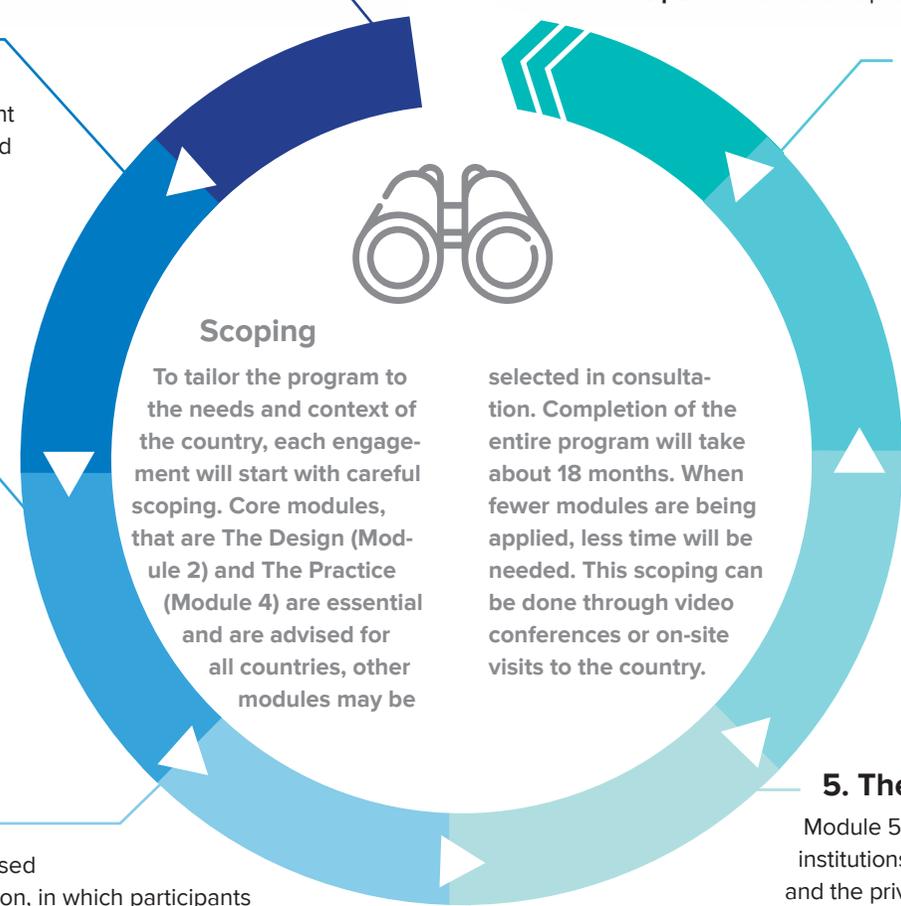
Module 4 starts with a two-day workshop on the practical aspects of risk-based on-site and off-site supervision. The workshop will be followed by a simulation, in which participants will need to apply their knowledge from earlier modules. Participants are divided into inspection teams; they must decide their on-site and off-site supervision strategy and planning for 10 financial institutions based on their risk levels. For one institution, an on-site inspection will be simulated. At the conclusion, participants must draft an inspection report.

Duration 2 Days

Output Institutional risk scoring templates that are configured for each sector

1.5 Days

Model inspection report



Momentum Support

Remote support to assist the country in the actual implementation of risk-based supervision. The Bank's team will support the supervisors of various sectors through periodic video conferences and on-site activities.

Duration 6 months following the delivery of all modules

Output Continued progress in the implementation of a risk-based approach

7. The Data and Tech

Module 7 is a one-day workshop on the use of data and IT tools to support risk-based supervision. Participants will receive training on RegTech and SupTech. A simple tool to keep track of the AML/CFT supervision activities and results will be introduced and delivered.

Duration 1 Day

Output Training on RegTech and SupTech
AML/CFT Supervision Tracking Tool



6. The Manual

Module 6 covers the development or adjustment of supervision/monitoring manuals. This module is planned as a remote support activity requiring 2 to 3 months. In this module, the WBG team will provide countries with sample supervision manuals, review existing AML/CFT supervision manuals, and guide the development/ improvement of supervision manuals. The remote support may be supplemented by a two-day onsite meeting to discuss and redraft manuals with relevant authorities.

Duration 3 Months, +2 Days

Output New or improved supervision manuals



5. The Dialogue

Module 5 is a workshop with the participation of supervisory authorities and reporting institutions. It aims to strengthen the dialogue and collaboration between the supervisors and the private sector, as a soft tool for pro-active supervision. This workshop is an opportunity to better understand the needs and challenges of the private sector, to update them on AML/CFT related developments (i.e. new regulations, national risk assessment), and to clarify regulatory expectations. Depending on sector participation, the workshop will take one to two days to deliver. The outputs of this workshop should inform the plans for regulatory guidance.

Duration 1 Day

Output A plan for periodic future public and private dialogue activities
A summary of the private sector feedback, and possible actions for stronger collaboration



What is the Objective?

The objective of the RBA Toolkit is to assist countries in the establishment of risk-based and effective supervision or monitoring frameworks for all financial sectors. The toolkit follows mainly a top-down approach that should be based on an accurate understanding of ML/TF risks in the jurisdiction and the different sectors. At the same time, an ongoing information flow from the bottom up will be of key importance to ensure the dynamism of this system.



What does the RBA Toolkit contain?

RBA Toolkit is not a single tool. Rather it is a set of practical tools, templates and exercises. Throughout these, participants develop their practical skills to apply a risk-based approach to supervision. Please see Figures A and B, which are screenshots for two of the tools in the RBA Toolkit. The RBA Toolkit creates a practical understanding of the requirements of the international standards, showcases international examples and is designed around actionable knowledge.

Are all seven modules always required?

The modules of the RBA Toolkit are interrelated, but only two core modules are essential for all projects: The Design (Module 2) and The Practice (Module 4). Other modules are selected with clients, after careful scoping. Completion of the entire program will take about 18 months. Fewer modules will require less time.

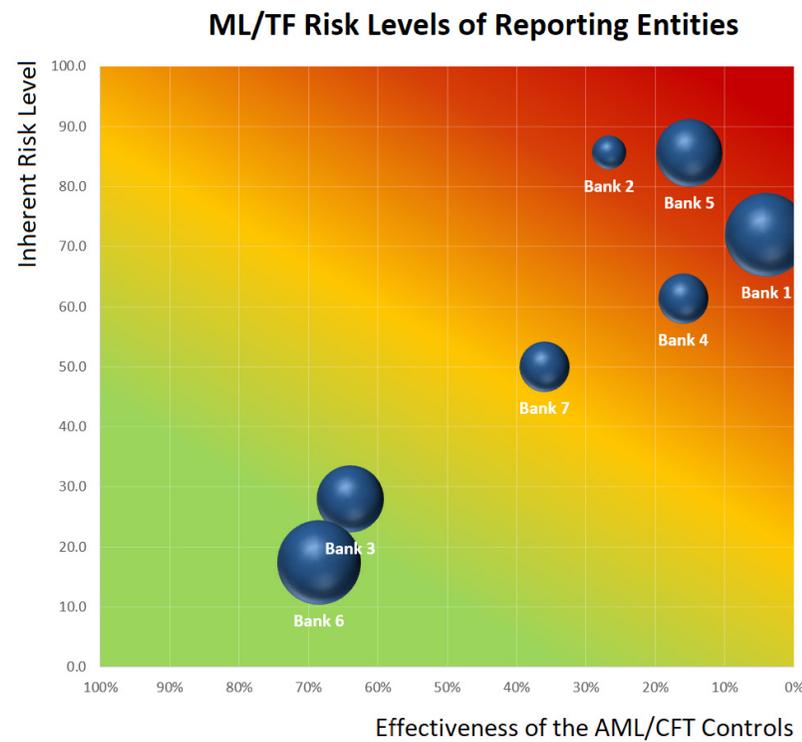


Figure A. Screenshot of the tool for risk scoring of financial institutions

Data Entry Form

GENERAL INFO

Database Record Number (DRN) *	<input type="text" value="0003"/>	i
Entry Date (MM/DD/YYYY) *	<input type="text" value="11/12/2019"/>	i
Entry made by *	<input type="text"/>	i
Country/State of inspection (if applies)	<input type="text"/>	i
Sector *	<input type="text" value="Select..."/>	i
Inspected institution *	<input type="text" value="Select..."/>	i
Start & End Dates (MM/DD/YYYY) *	<input type="text" value="11/12/2019"/> <input type="text" value="11/12/2019"/>	i

Figure B. Screenshot from the AML/CFT Supervision Data Management Tool

INSPECTION RESULTS

	i Rating for Policies/Procedure	i Rating for Effectiveness	i Findings
Board and Management's Comments. *	<input type="text" value="Select..."/>	<input type="text" value="Select..."/>	<input type="text" value="Findings.."/>
Compliance Office and Unit*	<input type="text" value="Select..."/>	<input type="text" value="Select..."/>	<input type="text" value="Findings.."/>
Customer Due Diligence*	<input type="text" value="Select..."/>	<input type="text" value="Select..."/>	<input type="text" value="Findings.."/>
Record Keeping (including MIS)*	<input type="text" value="Select..."/>	<input type="text" value="Select..."/>	<input type="text" value="Findings.."/>
Monitoring (including MIS)*	<input type="text" value="Select..."/>	<input type="text" value="Select..."/>	<input type="text" value="Findings.."/>
Suspicious Transaction Reporting*	<input type="text" value="Select..."/>	<input type="text" value="Select..."/>	<input type="text" value="Findings.."/>



Through the RBA Toolkit, participants learn how to:

- **Build** on findings from the risk assessments;
- **Align** legislation with the risk-based approach;
- **Develop** supervision and monitoring strategies;
- **Develop** institutional risk assessment tools;
- **Assess** institutional risks on an ongoing basis;
- **Apply** supervision and monitoring instruments;
- **Follow-up** on remedial measures;
- **Collaborate** with reporting entities;
- **Use** data and IT to support supervision.

For more information, please contact:

Kuntay Celik - Senior Financial Sector Specialist

T: +1.202.4587874

E: Kcelik@worldbank.org

<http://www.worldbank.org/en/topic/financialmarketintegrity>