

NATIONAL RISK ASSESSMENT TOOL GUIDANCE MANUAL

MODULE 2 NATIONAL VULNERABILITY

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World Bank Group's National Money Laundering and Terrorist Financing Risk Assessment Toolkit

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Important reminders for the Working Group

- Base your assessments on group discussions to ensure the inclusion of a wide array of perspectives. All the members of the Working Group should participate in discussions, as well as to the overall assessment, as the inclusion of all viewpoints and perspectives will contribute to a higher-quality report.
- Keep a record of the key arguments, findings, and conclusions of your discussions. These notes will be important in documenting the analysis and support for the conclusions and findings that will feature in the final report. Assign a note-taker for this task.
- The quality of the output depends on the quality of the input. An unrealistic assessment will reduce the credibility of the assessment and will limit the benefits the jurisdiction can derive from the assessment.
- During the assessment, please clearly identify any problems, weaknesses, or gaps by determining what is missing and what is not working. Such an approach will help you draw up the action plans following your assessment.
- Support all your findings and conclusions with clear analysis and documented evidence, in order to demonstrate the basis for each rating.
- Prepare a team report on your key findings and conclusions, clearly backing those findings and conclusions up with references to underlying sources. These reports will become the building blocks of the overall National Risk Assessment report.

1. OBJECTIVES OF THE NATIONAL VULNERABILITY MODULE

The main objectives of this module are to:

- Identify the overall vulnerability of a given country to money laundering
- Identify the weaknesses and gaps in the country's ability to combat money laundering
- Prioritize actions that will improve the country's ability to combat money laundering by strengthening anti-money laundering (AML) controls at national level.

The National Vulnerability Assessment can help in:

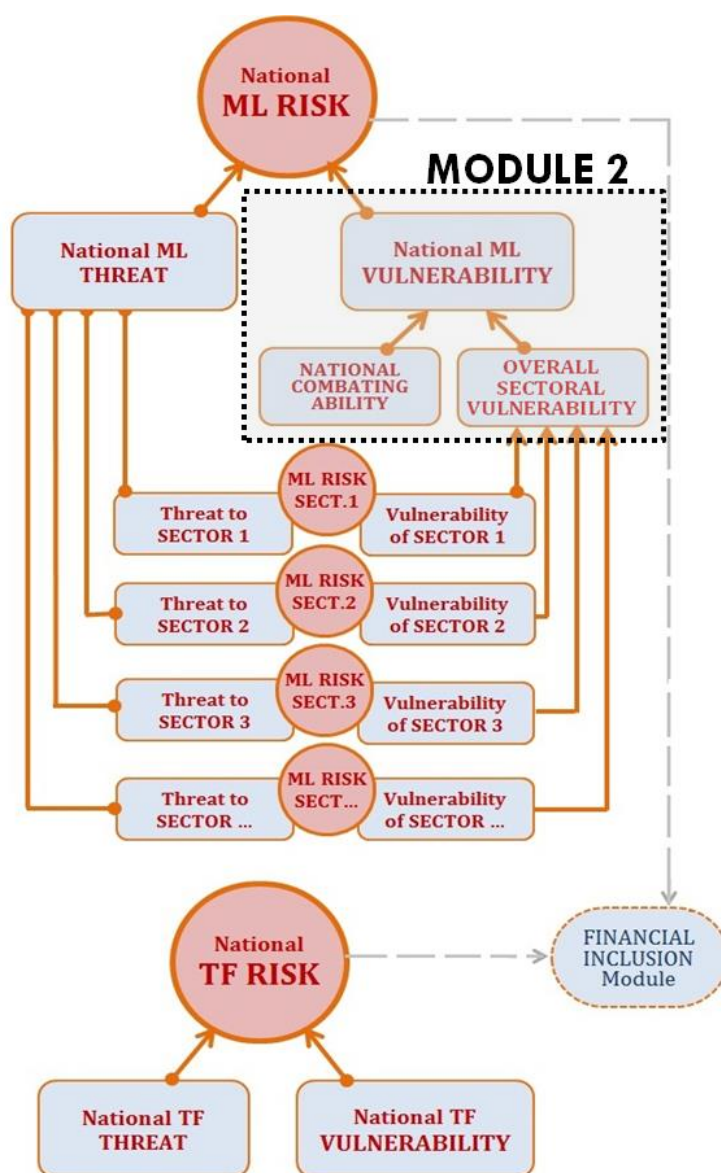
- Developing an action plan to make the AML regime more effective
- Evaluating the impact of different interventions by regulatory and other relevant authorities
- Identifying and prioritizing which interventions by regulatory and other relevant authorities would reduce overall national vulnerability
- Comparing the levels of vulnerability in various sectors
- Ensuring efficient resource allocation.

2. UNDERSTANDING THE NATIONAL VULNERABILITY MODULE

2.1. National Vulnerability Module in the Big Picture

It is important to understand the module's place and function in the bigger picture of the National Risk Assessment Tool. As shown in Figure 1, threat and national vulnerability are the two main factors impacting the risk of money laundering at the national level. National vulnerability assesses the defense and reaction mechanisms available for combating money laundering. National vulnerability is also impacted by the vulnerabilities of the various sectors that could potentially be abused for money laundering.

Figure 1: National Vulnerability Module in the Big Picture of National Risk Assessment Tool



Many factors contribute to the overall vulnerability of a country to money laundering (ML). Some factors have a direct impact, while others are more indirect. The importance and impact of any single factor often depends on the existence, or absence, of other factors. This module has been developed to reflect the key factors determining the vulnerability of a country and how they interact.

In this tool, these factors are called “variables”. For example, in this module, the variable *Effectiveness of ML Crime Definition* assesses whether countries define money laundering offenses comprehensively, and whether it is possible to enforce the laws in place and obtain convictions on that basis. It is the ratings assigned to these different variables by the Working Group (WG) that ultimately lead to the assessment of a country’s overall vulnerability to ML. The logic behind the module is explained below.

2.2. Variables

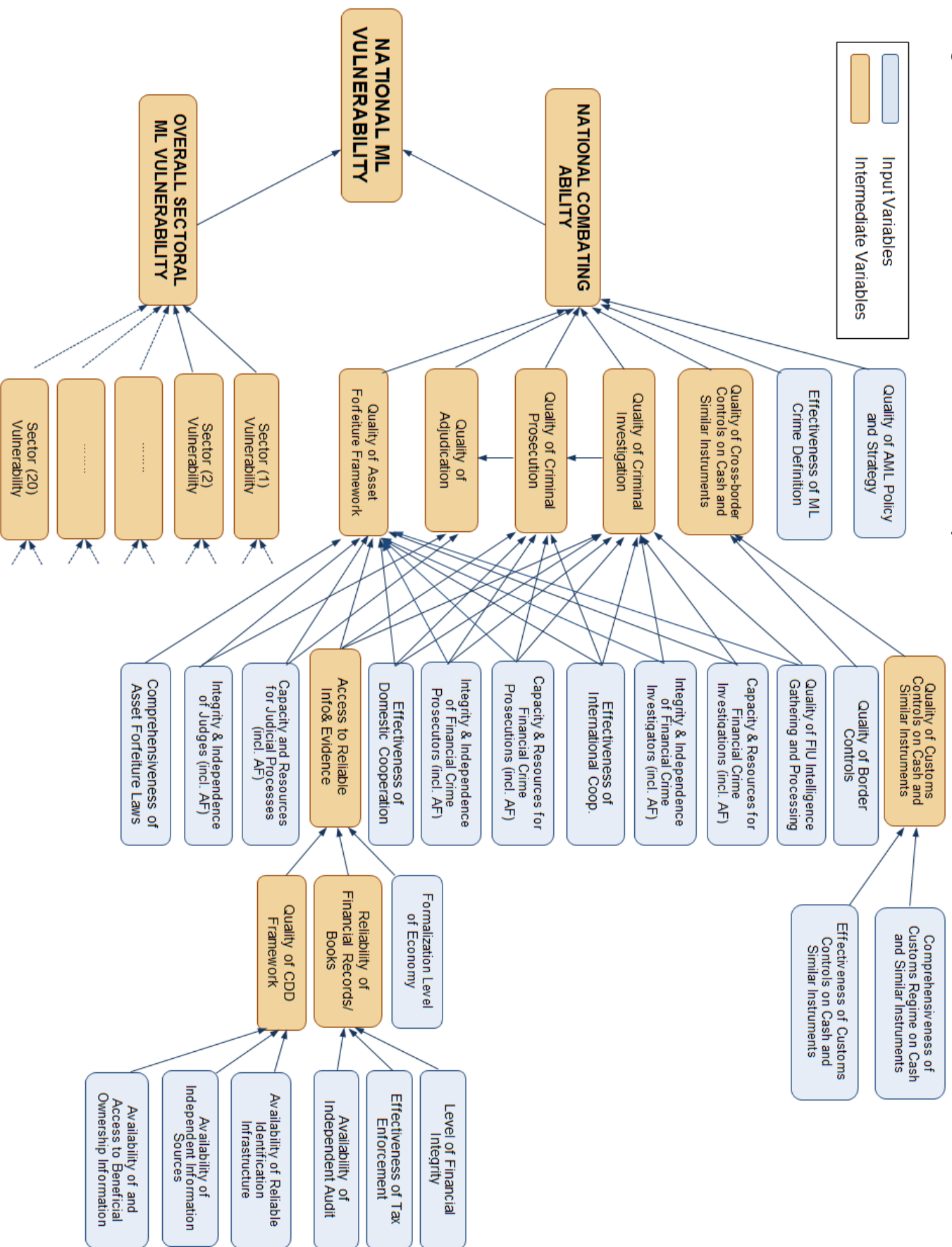
In order to build a foundation for subsequent discussion, it is important to first understand the variables on which the module is based. There are two types of variable in the module: (1) input variables, and (2) intermediate variables.

1. **Input variables** require the Working Group (WG) to enter an ***assessment rating***. These variables reflect factors that affect the quality of the general AML controls at national level, and determine the ability of the country to combat money laundering. They are therefore referred to as general AML control variables.
2. **Intermediate variables** are broad and high-level factors that cannot be assessed directly. They therefore need to be disaggregated into their constituent parts in order to be assessed. The module determines intermediate variable ratings automatically, based on the ratings entered for the input variable. Though assessment is undertaken at the input variable level, intermediate variables also play a very important role in the network structure. The relative roles of input variables and intermediate variables are explained in more detail in the next section. The descriptions of the intermediate variables can be found in Section 5.

2.3. National Vulnerability Module Structure (The Network)

As shown in Figure 2.a, national ML vulnerability is determined by the overall ML vulnerability of the various sectors, and the national ability to combat ML. The overall ML vulnerability of the sectors is determined automatically by the module, depending on the ratings entered for the vulnerabilities of the various sectors, i.e., banking, insurance, and securities, each of the businesses and professions of the Designated Non-Financial Businesses and Professions (DNFBPs) and the other financial institutions as assessed by the other teams in the WG. If the ML vulnerability of a sector is assessed to be high, this increases the overall ML vulnerability of the sectors, which in turn increases the national ML vulnerability. The country’s ability to combat ML at a national level is determined automatically by the module, based on the ratings of the input variables in the module. Here, higher ratings of input variables increase national ML combating ability, which in turn results in lower national ML vulnerability.

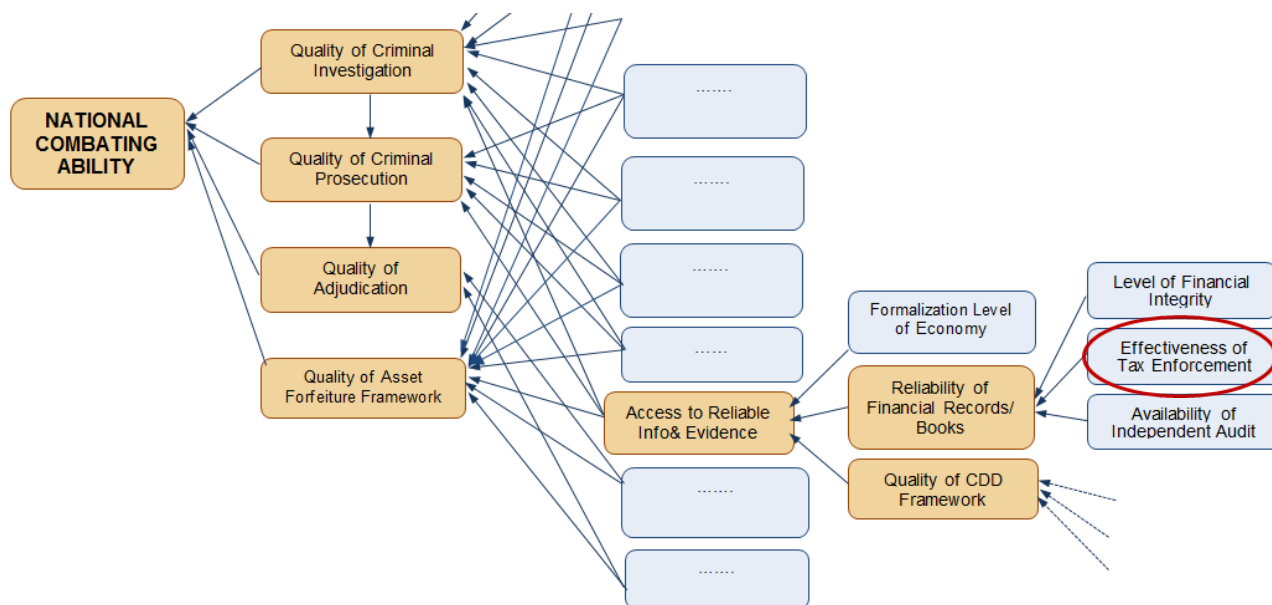
Figure 2.a: Network structure of the National Vulnerability Module



2.4. The Logic behind the Network

In Figure 2.b, a small part of the network structure is highlighted to clarify the logic of the module. In particular, it shows how the **input variables** (blue boxes) and **intermediate variables** (orange) contribute to determining the overall level of vulnerability. (To see how this partial view of the network fits into the whole, please compare Figure 2.b with Figure 2.a.)

Figure 2.b: Part of the Network Structure



As an example of an input variable we may take *Effectiveness of Tax Enforcement* (on the right of the chart). If a country's tax enforcement regime is effective, this will naturally have a positive effect on the country's ability to combat ML. But this effect is indirect, as can be seen by tracing the various connections through the chart. Effective and efficient tax enforcement improves the reliability of financial records and books, which in turn helps to trace the flow of proceeds of crime in money laundering cases. The availability of reliable financial and identification data will enable authorized AML agencies to have access to reliable information and evidence and thus achieve greater success in their criminal investigations. In this way, the effectiveness of tax enforcement can have a tangible effect on a country's ability to combat money laundering.

Effectiveness of Tax Enforcement is just one of three input variables combining to affect the reliability of the financial records and books in a country. Others are *Level of Financial Integrity* and *Availability of Independent Auditing*. By assessing all three of these input variables and combining the results in an intuitive and realistic way, we can gain a good impression of the *Reliability of Financial Records/Books* in the country. It is not necessary to perform a separate assessment of the intermediate variable *Reliability of Financial Records and Books*. This illustrates clearly the difference between input variables, which require input from the WG, and intermediate variables, which do not require such input.

Factors determining national vulnerability

Four factors determine national vulnerability:

- The network structure of the module
- The relative weights of the input and intermediate variables

- The defined conditions (prerequisites) for intermediate variables
- The assessment ratings of the input variables.

The assessment ratings of input variables are assigned by the WG of the country. The other three items are based on the underlying assumptions and structural components of the module as developed by the World Bank.¹

The calculation

The formulas that have been built into the module make it possible to combine the assessment results of input variables and calculate the ratings for intermediate variables. Each variable in the module has been assigned a weight, and the underlying relationships between the variables of various levels have been determined by setting up certain pre-conditions. To make the use of the tool relatively easy, the default settings of the module hide the tab that gives details of the weights and pre-conditions. However, the user can make them visible again with a simple Excel procedure. (For more details, see the Excel instructions in the Annex. More on the logic and design of the tool can be found in the PowerPoint presentation “The Logic behind the Tool”, which is included in the NRA training package.)

3. GENERAL GUIDANCE FOR THE ASSESSMENT

3.1. Introduction

Section 4 describes each input variable and the criteria that the WG should consider in rating each input variable. For example, to rate the input variable *Quality of AML Policy and Strategy*, the WG would consider how effective the company is in formulating its national AML policy and strategy, responding to the risks and country context as they change. They do so, on the basis of assessment criteria. Their findings will result in the rating.

The assessment criteria generally describe the ideal situation. For example, if an input variable meets all the criteria fully and perfectly, it can be rated as Excellent (1.0). If a variable does not meet one or more criteria fully and perfectly, it is for the WG to decide on the rating to be assigned, based on their understanding and knowledge of the country. A higher rating of an input variable will result in better ability to combat ML, and less vulnerability to ML.

When assessing each of the input variables and assigning a rating, the WG should refer to assessment worksheets (see Section 4). Each assessment worksheet includes a description of the variable, a list of assessment criteria, and guidance on how to justify and support the assessment. If some of the assessment criteria are met while others are not, the WG should not average out the ratings. Sometimes, an important deficiency in one of the assessment criteria may offset the positive impact of other items.

More important than the rating is its justification and supporting information. The rating for an input variable will be meaningful only if it is supported by adequate analysis and evidence. For each of the input variables,

¹ However, if the Working Group has good reasons for suggesting a change in the weight of a variable, changes can be made to the World Bank’s weight assignments after discussions during the first workshop.

the grounds on which a rating is made, plus supporting data and information should all be recorded. (A table is provided for this purpose: see Section 4). While making its assessment, the WG is likely to generate valuable discussions and perspectives. Each team in the WG should appoint a note-taker to record these proceedings, thereby generating supporting documentation. Such records are important as they may highlight specific problems and be of use in drawing up the subsequent action plan. These documents should also serve as the basis for the National Risk Assessment report, recommended by the World Bank. Such a detailed documentation of the assessment will also be useful when the assessment is repeated at some point in the future (by the same or different assessors).

3.2. Organization of the Assessment Work

In general, an assessment consists of two stages:

Stage 1. Assessing and rating the input variables, and supporting the assessment with data and information

Stage 2. Entering information in the Excel file, and obtaining and interpreting the outputs.

Stage 1 is the most important and most time-consuming phase. The WG should therefore manage its time accordingly. During the first workshop, preliminary ratings can be inserted into the Excel file, enabling the WG to gain a good understanding of the workings of the Excel tool. The preliminary ratings can and should be amended as the WG continues its fact-finding operations.

The WG should spend most of its time during the first workshop on Stage 1, saving the last two hours for Stage 2. Proceed to the Excel file only after the assessments of all the variables have been completed. (See the Annex for detailed instructions on how to use the Excel file.)

3.3. Period for the Collection of Information and Data

The World Bank's National Risk Assessment methodology is based on "informed, expert judgment". The purpose of the data and information collection is to inform and facilitate a sound judgment. The most appropriate period over which the data and information will be collected depends on what can better support the judgment as of the assessment date. The most appropriate period for some indicators would be the past twelve months. In other cases, however, it may be necessary to collect data and information over the previous five years, as only then may it be possible to discern relevant trends and cumulative amounts.

INDICATORS	Guidance on the information and data collection period
Quantitative indicators vulnerabilities	Ten, five, or three years, depending on the availability of the data.
Qualitative indicators of vulnerabilities	Do not require a strict timeframe. Having said that, please note that more recent the information is, the more meaningful it will be. As far as possible, information over the past five years should be obtained.

Since this is not a statistical model, it is not strictly necessary that the data collection period be the same for all indicators. Using different data collection periods in different sections will not be problematic. All indicators for each jurisdiction are to be analyzed, and judgments made about the current level.

3.4. Possible Sources of Information and Data

The following list suggests data and information sources that can be used to complete the assessment.

- Statistics (national and international)
- Intelligence
- Interviews with relevant authorities, special interest groups, and market participants
- Focus group meetings with relevant authorities, special interest groups, and market participants
- Surveys of general public or focus groups
- Reports by international organizations (e.g., United Nations, World Bank Group, International Monetary Fund, World Customs Organization, and World Trade Organization)
- Reports by other international standard-setting bodies (e.g., Financial Action Task Force and FATF-Style Regional Bodies)
- Reports by governments, think-tanks, civil society organizations, and private institutions
- Books, articles, and reports based on research by universities and research institutes
- Media, Internet, and other publicly available information.

These general sources are applicable to all of the input variables to be assessed. In addition to these general sources, the worksheet for each indicator contains specific guidance for information and data collection on that specific indicator.

4. ASSESSMENT WORKSHEETS FOR INPUT VARIABLES

This section consists of assessment worksheets for 22 input variables. Each assessment worksheet contains the description of the variable, the assessment criteria, brief guidance on how to support the assessment with information/data, and an assessment section to record the rating.

The variables of this module relate to a country's ability to combat ML. They are as follows:

1. *Quality of AML Policy and Strategy*
2. *Effectiveness of ML Crime Definition*
3. *Comprehensiveness of Asset Forfeiture Laws*
4. *Quality of FIU Intelligence Gathering and Processing*
5. *Capacity and Resources for Financial Crime Investigations (incl. AF)*
6. *Integrity and Independence of Financial Crime Investigators (incl. AF)*
7. *Capacity and Resources for Financial Crime Prosecutions (incl. AF)*
8. *Integrity and Independence of Financial Crime Prosecutors (incl. AF)*
9. *Capacity and Resources for Judicial Processes (incl. AF)*
10. *Integrity and Independence of Judges (incl. AF)*
11. *Quality of Border Controls*
12. *Comprehensiveness of Customs Regime on Cash and Similar Instruments*
13. *Effectiveness of Customs Controls on Cash and Similar Instruments*
14. *Effectiveness of Domestic Cooperation*
15. *Effectiveness of International Cooperation*
16. *Formalization Level of Economy*
17. *Level of Financial Integrity*
18. *Effectiveness of Tax Enforcement*
19. *Availability of Independent Audit*
20. *Availability of Reliable Identification Infrastructure*
21. *Availability of Independent Information Sources*
22. *Availability and Access to Beneficial Ownership Information*

At this stage, the WG does not focus on rating national vulnerability directly. Rather, it concentrates on determining the quality, effectiveness, or level of the above-mentioned input variables. The vulnerability itself is then determined by the module, based on this input. For example, in the case of the input variable *Capacity and Resources for Financial Crime Investigations*, it is the task of the WG to assess the capacity of the money laundering investigators, not to assess how much that capacity affects national vulnerability. This basic principle applies to all of the input variables.

Please refer to Figure 1 to see how these inputs affect the national combating ability and national ML vulnerability.

The input variables are designed to capture the main drivers of vulnerability in a given jurisdiction. They do not necessarily overlap with the FATF Recommendations. Nonetheless, this self-assessment can be partially supported by the Mutual Evaluation Report (MER) findings, if relevant. This does not mean that the MER findings are binding on the WG. On the contrary, the WG is encouraged to make use of these and any other reports and analyses that assess the ML risks born by the country under examination.

Assessment worksheets are provided in the following pages of this section. Besides assigning a rating to each of the input variables, the WG should also record the grounds for its assessment in the case of each variable, using a copy of the table below. The table should be extended as necessary.

Name of the input variable:
Assigned rating and brief reasoning behind it:
Discussion of assessment criteria, and the data and information that supports the assessment:
Deficiencies/problems/room for improvement:

4.1. Quality of AML Policy and Strategy

Variable description

This variable assesses whether the country effectively formulates its national AML policy and strategy, based on a risk assessment conducted with all relevant governmental authorities and private sector participants and updated on a regular basis and as circumstances warrant. A designated authority coordinates the formulation and implementation of the AML policy and strategy. A risk-based approach is used in allocating resources and setting priorities as to the implementation of preventive and mitigating measures. Financial institutions and DNFBPs also undertake their own ML risk assessments and implement measures to prevent or mitigate identified risks.

Assessment criteria

The country effectively formulates its national AML policy and strategy when it is based on a firm understanding and appreciation of the current and evolving ML risks in and for the country. The AML policy and strategy are effective if:

- There is political commitment and support to fight against ML.
- There is a designated authority or national coordination committee or high-level interagency committee (“coordinating authority”) that oversees the formulation, coordination, and implementation of AML policies and strategies.
- The coordinating authority’s powers and responsibilities are clearly laid out in law or regulation, and the authority is headed by a ministerial or deputy ministerial level official.
- The policy and strategy are based on an up-to-date, formal, and comprehensive national ML risk assessment that:
 - Has been conducted with all relevant government departments and agencies (including intelligence agencies); and private sector and government participants were not unduly restricted from sharing relevant information and data
 - Is based on evidence, taking into consideration any past threat assessments and qualitative and quantitative data from as many diverse sources as possible
 - Takes into account the vulnerabilities in the country’s largest economic sectors
 - Is consistent with international AML standards
 - Has resulted in an action plan that allocates resources based on risk levels, and includes practicable and effective measures to prevent and mitigate identified risks, which may include adoption of new laws or reforms to existing legislative, regulatory, and institutional frameworks and data collection for current and future National Risk Assessments
 - Has had its findings disseminated and shared widely throughout government and with the private sector.
- The National Risk Assessment and action plan are updated on a regular basis and as circumstances warrant.
- Financial institutions and DNFBPs are required to undertake their own risk assessments and take steps to identify and mitigate ML risks.

Please also consider the role of the FIU and the extent of its involvement in the formulation of national AML policy and strategy.

Possible sources of information and data

- Information on how the AML policy and strategy is set and carried out in the country, including the existence of a national coordinating authority to oversee the formulation and implementation of the AML policy and strategy
- Official publication(s) detailing the national AML policy and strategy and explaining the mechanisms for implementation
- Experience of the national coordinating authority or other high-level interagency committee with effectiveness in carrying out the national AML policy and strategy
- Experience of law enforcement, prosecution, judicial, and supervisory authorities with regard to effectiveness of the national AML policy and strategy
- Details of the process and mechanism of the National Risk Assessment, including the scope, intensity, participants, and information sources and data used
- Details on a risk-based action plan resulting from the National Risk Assessment and justification for priorities set, including preventive and mitigating measures to be implemented
- Information as to the progress of implementation of measures set out in the action plan
- Information on risk assessments conducted by regulated entities, including financial institutions and DNFBPs, resulting action plans, and implementation of preventive and mitigating measures.

Assessment

Based on the assessment criteria and the information/data collected, decide the appropriate rating for this variable.

Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
1.0 ■	0.9 ■	0.8 ■	0.7 ■	0.6 ■	0.5 ■	0.4 ■	0.3 ■	0.2 ■	0.1 ■	0.0 ■

4.2. Effectiveness of ML Crime Definition

Variable description

This variable assesses whether the country defines the money laundering offense comprehensively in law and whether it is possible to enforce and obtain convictions based on this law. This variable also assesses two factors: (1) whether penalties in law are proportionate and dissuasive, and (2) whether penalties imposed are proportionate and dissuasive. The variable also assesses whether the penalties can be applied to both natural and legal persons, or, in cases where they cannot be applied to legal persons, there are civil or administrative sanctions that can be applied to them.

(Please note that this variable does not assess the effectiveness of the prosecution and judicial processes, which will be dealt with in other variables.)

Assessment criteria

Criminalization of money laundering is comprehensive if:

- The crime of money laundering is applicable to all the serious offenses, with a view to including the widest range of predicate offenses, including tax crimes.
- ML is a separate offense or considered in law or practice as ancillary to a predicate offense, and extends to self-laundering.
- There is a wide range of dissuasive penalties for money laundering offenses.
- Criminal penalties for money laundering offenses are regarded as proportionate when compared to penalties for other serious offenses.
- Criminal penalties are also applicable to appropriate offenses ancillary to the offense of money laundering.
- Criminal penalties can be applied to both natural and legal persons.
- When criminal penalties cannot be applied to legal persons, there are civil or administrative sanctions that can be applied to them.

Criminal penalties for money laundering offenses are more likely to be proportionate and dissuasive if:

- They are sufficient to justify a high priority for these offenses.
- The penalties provided for in the law are proportionate to those for other serious offenses in the country.
- The penalties are sufficient to be dissuasive.
- Judges have available to them a wide range of sentencing tools (e.g., fines; imprisonment, which increases with the severity of the offense, number of offenses, etc.)
- Judges are guided by appropriate sentencing guidelines or similar instruments, as well as their firm understanding of the impact of money laundering, when considering the seriousness of money laundering offenses in their sentencing.












Possible sources of information and data

- Relevant statutory provisions defining the ML offense and applicable predicate and ancillary offenses (whether covered under ML-specific statutes or other criminal code provisions)
- Descriptions of the criminal penalties available (including minimum and maximum penalties) and how they compare to penalties for other serious crimes in the country
- Information as to whether the criminal penalties can be applied to legal persons and if not, the civil or administrative sanctions that can be applied to them
- Information from law enforcement agencies, prosecutors, and judges on whether the ML criminal penalties are proportionate and dissuasive
- Information from ML investigations, prosecutions, and convictions to determine whether the offense is enforceable (i.e., there are no loopholes or stringencies in the definition that render it difficult to prosecute and obtain a conviction)
- If statistics are available, consider the following in assessing the effectiveness of the ML crime definition and the proportionality and dissuasiveness of the criminal sanctions: How many people were convicted for ML? How many convicted people received criminal penalties and what were those penalties? (For example, consider providing statistics on the number of people who received: (a) more than 10 years of imprisonment, and (b) 5 to 10 years of imprisonment. Also provide information on: (a) how many people received criminal fines, and (b) the total amount of criminal fines imposed.

If statistics are not available, please provide examples of recent ML cases that illustrate whether the ML definition is effective and the criminal sanctions are proportional and dissuasive.

Assessment

Based on the assessment criteria and the information/data collected, decide the appropriate rating for this variable.

Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
1.0 	0.9 	0.8 	0.7 	0.6 	0.5 	0.4 	0.3 	0.2 	0.1 	0.0 

4.3. Comprehensiveness of Asset Forfeiture Laws

Variable description

This variable assesses whether the country has comprehensive laws to seize, freeze and forfeit proceeds and instrumentalities of crime. These laws should provide an effective legal framework for asset forfeiture (AF). Comprehensive AF powers provide the law enforcement and criminal justice system with a greater ability to combat money laundering. (This variable does not assess the implementation of asset forfeiture laws; rather, it is related to a country's legal and regulatory framework for asset forfeiture. Effective implementation of AF laws is assessed by other variables.)

Assessment criteria

A country has comprehensive asset forfeiture laws if it enables its competent authorities to seize, freeze, and forfeit proceeds and instrumentalities of crime. AF laws should:

- Extend to (a) the proceeds and instrumentalities of ML and its predicate offenses, (b) profits derived from those offenses, and (c) property of corresponding value held by the criminal defendant or third parties
- Provide authorities with a legal basis to identify and trace the proceeds or property
- Permit authorities to carry out rapidly provisional measures, such as seizing or freezing proceeds of crime to prevent the transfer or disposal of the proceeds
- Provide authorities with a range of asset forfeiture tools, including criminal forfeiture, non-conviction-based (NCB) forfeiture, enforcement of foreign NCB orders, and administrative forfeiture, consistent with domestic law
- Ensure that the rights of bona fide third parties are safeguarded.

Possible sources of information and data

- Relevant statutory and regulatory provisions and other pertinent information on the country's overall asset forfeiture framework as to:
 - The scope of coverage (proceeds, instrumentalities, profits, and property of corresponding value)
 - The legal basis for identification and tracking of the proceeds or property
 - The availability of provisional measures and ability to carry them out rapidly
 - The range of asset forfeiture tools available, including criminal forfeiture, non-conviction-based asset forfeiture, enforcement of foreign NCB orders, and administrative forfeiture
 - The rights of bona fide third parties.
- Interviews/consultations with experienced asset forfeiture (AF) investigators, prosecutors, judges, the FIU, and other relevant government authorities in regard to the comprehensiveness of asset forfeiture laws.
- If statistics are available, consider the following in assessing the comprehensiveness of the AF laws: (a) How many cases were there in which assets were detected, frozen/seized, and/or confiscated, and (b) How many assets were detected, frozen/seized and/or confiscated?
- If statistics are not available, please provide examples of recent AF cases that illustrate whether the AF laws are comprehensive.

Assessment

Based on the assessment criteria and the information/data collected, decide the appropriate rating for this variable.

Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
1.0 ■	0.9 ■	0.8 ■	0.7 ■	0.6 ■	0.5 ■	0.4 ■	0.3 ■	0.2 ■	0.1 ■	0.0 ■

4.4. Quality of FIU Intelligence Gathering and Processing

Variable description

This variable assesses the Financial Intelligence Unit's (FIU) effectiveness in triggering and supporting money laundering and asset forfeiture investigations. It assesses whether the FIU collects, stores, analyzes and disseminates suspicious transaction reports as well as threshold transaction reports (where required) effectively and efficiently. An FIU has the legal authority (which it also exercises in practice) to disseminate information and its financial intelligence to relevant authorities, both spontaneously and upon request. The FIU produces quality analyses and disseminates them widely to government agencies and the private sector. The FIU would be able to carry out its functions effectively when it (1) has adequate capacity and resources, and (2) has the independence and autonomy to perform its activities without fear or favor. "Capacity" includes the skills, experience and powers to trigger and support ML and AF investigations. (Please note that in some countries the FIU also performs investigatory and prosecutorial functions. These functions will be assessed under the variables on investigation and prosecution. Its supervisory functions with regard to regulated entities are assessed in the various sector modules.)

Assessment criteria

The FIU is able to function effectively and efficiently if:

- It is adequately structured, funded, and staffed by persons who have appropriate training and skills (including specialized training with regard to financial crimes [including ML and AF], financial products, and financial processes); and it is provided with sufficient financial, technical, and human resources to perform its functions.
- It has sufficient operational independence and autonomy, free from any undue political, government, or industry influence or interference, to carry out its functions freely, including the autonomous decision to analyze, request, and/or disseminate specific information.
- Safeguards are in place to preserve the integrity of the staff (in law and in practice).
- The staff of FIU maintain high professional standards (including those related to confidentiality and integrity).
- The suspicious transaction reporting (STR) system works effectively, including reporting, analysis, and dissemination.
- The FIU is able to disseminate, spontaneously and upon request, information and the results of its analysis to relevant competent authorities.
- It has timely access to databases of other domestic agencies and commercial sources, and can obtain additional information from reporting entities for its analysis.
- It is a member of The Egmont Group of Financial Intelligence Units.
- It has the capacity to detect cross-border activities.

The Working Group should also assess the effectiveness of the threshold transaction report (TTR) system (cash or wire), where required. Please note that the TTR system should function as a supporting system rather than as a replacement for the STR system. Existence of a TTR system without an STR system would automatically translate into a low assessment rating for this variable.

Possible sources of information and data

- Describe types of transaction reporting: STRs, CTRs, wire transfers, customs declarations (where required), including:
 - Statistics on STRs reported to the FIU (with sector breakdown)
 - Statistics on TTRs (where required) reported to the FIU (with sector breakdown)
 - Statistics on STRs analyzed and disseminated by the FIU
 - Statistics on TTRs analyzed and disseminated by the FIU.
- Describe the type of data that the FIU has access to in order to support its analysis. Does the FIU have access to databases of other domestic agencies for its analysis? Is the FIU able to obtain additional financial information from the reporting entity on an STR? Can the FIU obtain information from an entity that has not filed an STR, but where follow-up is deemed necessary, based on an STR filed by another entity? Is the FIU able to obtain financial information from a regulated entity where no STR has been filed? Is the FIU utilizing publicly available information? Is remittance data available to the FIU?
- Information on the types and quality of analysis on STRs by the FIU (regional breakdown, trends, reported amount, etc.).
- Where possible, provide feedback from law enforcement, prosecution, supervisory authorities, and private sector as to the efficacy of the STR/TTR reporting system and analysis produced by the FIU and usefulness in investigations and prosecutions (for the private sector, also ascertain the quality of feedback received on STRs filed).
- Is the FIU established as part of an existing authority? If so, are the FIU's core functions distinct?
- Perception indexes and surveys on level of corruption/integrity of the FIU.
- Statistics on integrity breaches by the FIU.
- Information and statistics on the FIU's capacity to detect cross-border activities.
- Information and statistics on the FIU's information and intelligence-sharing with foreign counterparts and other relevant authorities, including whether it is a member of the Egmont Group.

Assessment

Based on the assessment criteria and the information/data collected, decide the appropriate rating for this variable.

Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
1.0 ■	0.9 ■	0.8 ■	0.7 ■	0.6 ■	0.5 ■	0.4 ■	0.3 ■	0.2 ■	0.1 ■	0.0 ■

4.5. Capacity and Resources for Financial Crime Investigations (including Asset Forfeiture)

Variable description

This variable assesses whether the country has adequate capacity and resources to effectively investigate money laundering offenses, associated predicate offenses and the proceeds of foreign predicate offenses, including deliberately aiding or facilitating all such offenses. Capacity here includes the skills, experience, and powers required to investigate these offenses effectively.

This variable also assesses whether the country has adequate capacity and resources to effectively identify, trace, and initiate the freezing and seizing of assets derived from the criminal activities. Capacity includes the skills, experience, and powers required to effectively trace, detect, and seize the assets, and successfully forfeit the proceeds, profits, and instrumentalities of crime.

Assessment criteria

Investigators of money laundering and associated predicate offenses and asset forfeiture are able to function effectively if:

- The investigative agencies are adequately structured, funded, and staffed by persons with appropriate training and skills in dealing with financial crimes (including ML and AF), as well as in dealing with financial products and financial processes (such training including specialized training in how to trace the flow of proceeds of crime); and are provided with sufficient financial, technical, and other resources to perform their functions.
- The investigative authorities effectively utilize financial intelligence.
- There is a mechanism in place to ensure that competent authorities have a process to identify assets without prior notice to the owner.
- Money laundering and asset forfeiture investigators have powers to use compulsory measures for the production of records held by financial institutions, DNFBPs, and other natural or legal persons, for the search of persons and premises, for taking witness statements, and for the seizure and obtaining of evidence.
- Investigatory authorities are able to cooperate effectively with other domestic and international investigatory agencies.

In some countries, the work of asset forfeiture (AF) investigators and money laundering (ML) investigators may overlap. In such cases, please assess the capacity of AF investigations and ML investigations separately. ML investigation capacity and AF investigation capacity may not be the same, even if done by the same set of investigators.

Possible sources of information and data

- Experience of investigators, prosecutors, the FIU, and other relevant government authorities with regard to capacity and resources for financial crime investigations.
- Experience of the FIU, law enforcement, prosecutors, and judicial and other relevant competent authorities with regard to capacity and resources for AF investigations.
- A brief explanation of which unit or agency handles the ML investigations. Do ML investigators work in dedicated Financial Crime or AML units, or are they just part of a general function/unit that investigates a variety of offenses?
- A brief explanation of which unit/agency handles the AF investigations. Do ML investigators also conduct AF investigations?
- **Staff:** Statistics on number of ML/AF investigators (by unit(s) and agency/agencies they belong to) and the number of staff involved in ML/AF investigations. Is staffing adequate? Are there any plans to increase the number of staff? Do staff stay in a particular function for an adequate period of time, or are they reassigned regularly (e.g., every couple of years)?
- **Skills:** Do ML/AF investigators have the necessary skills and experience? What are their educational and professional qualifications? Do they have sound knowledge of financial products, processes, and financial crime and of money laundering typologies and AF?
- **Training:** How are ML/AF investigators trained? How many training programs do ML/AF investigators attend? How many hours/days of training are provided? What topics does the training cover? What is the quality of the training? How many ML/AF investigators received the training? Please provide details of the training courses, including materials used.
- What proportion of cases referred by investigators proceeds to prosecution? What proportion of cases proceeds to trial and what proportion of these result in convictions? If the number of convictions is low, please discuss whether the capacity and resources for ML investigations has had any impact.
- Statistics on AF investigations.
- Statistics on the portion of traced assets that are subsequently frozen, and whether (and how) capacity and resources of investigator had an impact.
- Statistics on seized, frozen, and forfeited assets, and whether (and how) capacity and resources of investigators and prosecutors had an impact.

Assessment

Based on the assessment criteria and the information/data collected, decide the appropriate rating for this variable.

Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
1.0 ■	0.9 ■	0.8 ■	0.7 ■	0.6 ■	0.5 ■	0.4 ■	0.3 ■	0.2 ■	0.1 ■	0.0 ■

4.6. Integrity and Independence of Financial Crime Investigators (including Asset Forfeiture)

Variable description										
This variable assesses whether investigators of money laundering offenses and associated predicate offenses and asset forfeiture investigators are able to conduct investigations without fear or favor.										
Assessment criteria										
<p>Money laundering and asset forfeiture investigators can act freely, without undue influence, if they enjoy sufficient operational independence and autonomy, display high professional standards, and act with integrity. Among the indications :</p> <ul style="list-style-type: none"> • Safeguards are in place to preserve the integrity of the investigators (in law and in practice). • Investigations into possible money laundering are instituted without interference, political or social pressure, corruption, intimidation, or abuse of office. • Asset forfeiture processes are instituted or terminated without interference, political or social pressure, corruption, intimidation, or abuse of office. • The pace or outcome of ML investigations/asset forfeiture processes is not influenced by interference, political or social pressure, corruption, intimidation, or abuse of office. • Investigations into allegations of ML offenses by powerful members of society and high-profile criminals are instituted and concluded in an objective and professional manner. • Asset forfeiture processes affecting powerful members of society and high-profile criminals are instituted and concluded in an objective and professional manner. • Asset forfeiture powers are used correctly, and the frozen and forfeited assets are managed with integrity. 										
Possible sources of information and data										
<ul style="list-style-type: none"> • Experience of the FIU, law enforcement, prosecutorial, and judicial authorities interacting with ML/AF investigators (in relation to integrity and independence). • Perception indexes and surveys (such as Transparency International's Corruption Perceptions Index) on the general level of corruption/integrity in the country. • Perception indexes and surveys on the level of corruption/integrity of ML investigators and law enforcement, in particular. • Statistics on integrity breaches by ML/AF investigators and law enforcement, in general. • Please assess the political environment in the country. Is it possible for politicians and other influential people to interfere with ML/AF investigations? Are the ML/AF investigators well protected (in terms of both the legal framework and in practice) against these political pressures? • Statistics on the number of complaints received, investigations opened, investigations closed without further action, and investigations concluded and referred for action other than prosecution. • What proportion of cases referred by investigators proceeds to prosecution? What proportion of cases proceeds to trial and what proportion of these result in convictions? If the number of convictions is too low, please discuss whether the integrity of the ML investigators has had any impact. • What proportion of asset freezing orders result in confiscation? If low, discuss whether the integrity of the AF investigators has had any impact. <p>It may be difficult to ensure objectivity in the assessment of this variable. Even if integrity breaches have not been detected, the assessment of this variable needs to be in accord with the general level of integrity/corruption in the country. In assessing this variable, please take into account the impact of external factors, such as political pressure, lack of safeguards, etc., on the integrity of ML/AF investigators.</p>										
Assessment										
Based on the assessment criteria and the information/data collected, decide the appropriate rating for this variable.										
Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
1.0 ■	0.9 ■	0.8 ■	0.7 ■	0.6 ■	0.5 ■	0.4 ■	0.3 ■	0.2 ■	0.1 ■	0.0 ■

4.7. Capacity and Resources for Financial Crime Prosecutions (including Asset Forfeiture)

Variable description										
<p>This variable assesses whether the country has adequate capacity and resources to effectively (1) prosecute money laundering offenses and associated predicate offenses and proceeds of foreign predicate offenses, and (2) conduct asset forfeiture actions. Capacity includes the skills, experience and powers required to prosecute these offenses effectively. Resources include adequate financial, technical and human resources to enable staff to carry out their duties. Prosecutors need sufficient capacity and resources to function effectively and to ensure that cases are conducted effectively and fairly.</p>										
Assessment criteria										
<p>Prosecutors of money laundering and associated predicate offenses and asset forfeiture cases are able to function effectively if:</p> <ul style="list-style-type: none"> The prosecution agencies are adequately structured, funded, staffed by persons with appropriate training and skills—including specialized training with regard to financial crimes (including ML), financial products, and financial processes—and are provided with sufficient financial, technical, and other resources to perform their functions. Prosecutors are able to obtain access to all necessary documents, information and witnesses and/or other relevant individuals for use in prosecutions. Prosecutors have the skills and knowledge they need to understand the flow of proceeds of crime and present such cases to the court. Where necessary, they have the powers and experience to assign and work with forensic experts to support the case. <p>(Please note that international cooperation is assessed separately under a different variable, <i>Effectiveness of International Cooperation</i>.)</p>										
Possible sources of information and data										
<ul style="list-style-type: none"> Experience of investigators, prosecutors, judicial authorities, the FIU, and other relevant government agencies with regard to capacity and resources for financial crime prosecutions and AF applications. Briefly explain which unit or agency handles the ML prosecutions and AF orders. Is it a specialized unit, or part of a general agency? Are prosecutors specialized in financial crimes or ML prosecutions? Staff: Statistics on number of ML and AF prosecutors and the number of staff involved in ML prosecutions. Is staffing adequate? Are there any plans to increase the number of staff? Do staff members stay in a particular function for an adequate period of time, or are they reassigned regularly (e.g., every couple of years)? Skills: Do prosecutors have the necessary skills and experience to conduct ML prosecutions and AF orders? What are their educational and professional qualifications? Do they have sound knowledge of financial products, processes, and financial crime and money laundering typologies, etc.? Training: How are ML prosecutors trained? How many training courses are delivered to ML prosecutors? How many hours/days of training are provided? What is the coverage of the training? How many ML prosecutors have received the training? What is the quality of the training courses? Please provide details of the training course and materials used. What proportion of cases referred by ML investigators proceeds to prosecution? What proportion of cases proceeds to trial and what proportion of these cases result in convictions? If the number of convictions is too low, please discuss whether the capacity and resources for ML prosecutions has had any impact. What proportion of AF investigations proceed to court for an asset freezing order and/or confiscation order? What proportion of those that proceed to court result in AF orders? If the number of AF orders is low, please discuss whether the capacity and resources for AF prosecutions has had any impact. 										
Assessment										
Based on the assessment criteria and the information/data collected, decide the appropriate rating for this variable.										
Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
1.0 ■	0.9 ■	0.8 ■	0.7 ■	0.6 ■	0.5 ■	0.4 ■	0.3 ■	0.2 ■	0.1 ■	0.0 ■

4.8. Integrity and Independence of Financial Crime Prosecutors (including Asset Forfeiture)

Variable description

This variable assesses whether prosecutors of money laundering offenses and associated predicate offenses, including proceeds of foreign predicate offenses, are able to function without fear or favor.

Assessment criteria

Money laundering prosecutors act free from undue influence if they enjoy sufficient operational independence and autonomy, display high professional standards and act with integrity. Among other indications:

- Safeguards are in place to preserve integrity of the prosecutors (in law and in practice).
- Prosecutions of alleged money laundering and related financial offenses are instituted without interference, political or social pressure, corruption, intimidation, or abuse of office.
- The pace or outcome of ML prosecutions is not influenced by interference, political or social pressure, corruption, intimidation, or abuse of office.
- Prosecutions of such alleged offenses by powerful members of society and high-profile criminals are instituted and concluded in an objective and professional manner.












Possible sources of information and data

- Experience of investigators, the FIU, law enforcement, and judicial authorities interacting with ML and AF prosecutors (in relation to integrity and independence).
- Perception indexes and surveys (such as Transparency International's Corruption Perceptions Index) on the general level of corruption/integrity in the country.
- Perception indexes and surveys on the level of corruption/integrity of ML prosecutors.
- Statistics on integrity breaches by ML and AF prosecutors.
- Please assess the political environment in the country. Is it possible for politicians and other influential people to interfere with ML prosecutions? Are the ML prosecutors well protected (in terms of the both legal framework and in practice) against these political pressures?
- What proportion of cases referred by investigators proceeds to prosecution? What proportion of cases proceeds to trial and what proportion of these cases result in convictions? If the number of convictions is too low, please discuss whether the integrity of the ML prosecutors has had any impact.
- What proportion of AF cases proceeds to court and result in asset freezing orders and/or confiscation orders? If the number of asset freeze orders and confiscation orders is too low, please discuss if the integrity of prosecutors has had any impact.

It may be difficult to ensure objectivity in the assessment of this variable. Even if integrity breaches have not been detected, the assessment of this variable needs to be in accord with the general level of integrity/corruption in the country. While assessing this variable, please take into account the impact of external factors such as political pressure, lack of safeguards, etc., on the integrity of ML prosecutors.

Assessment

Based on the assessment criteria and the information/data collected, decide the appropriate rating for this variable.

Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
1.0 	0.9 	0.8 	0.7 	0.6 	0.5 	0.4 	0.3 	0.2 	0.1 	0.0 

4.9. Capacity and Resources for Judicial Processes (including Asset Forfeiture)

Variable description

This variable assesses whether the country has adequate capacity and resources to effectively undertake judicial processes for (1) cases relating to money laundering offenses and associated predicate offenses, including proceeds of foreign predicate offenses; and (2) asset forfeitures. Capacity includes the skills, experience and powers, required to preside over prosecutions for these offenses effectively. In many countries, the lack of understanding by judges of financial systems, products and processes, as well as a lack of understanding of financial crimes (and ML) are major impediments to effective judicial processes against money laundering offenses. Resources include financial, technical and human resources needed by the staff in order to carry out their duties. Judges need sufficient capacity and resources to function effectively and to ensure that matters are dispatched effectively and fairly.

Assessment criteria

Judges who preside over money laundering and associated predicate offenses and asset forfeiture cases are able to function effectively if the criminal bench is:

- Adequately structured; funded; and staffed by persons with appropriate educational background, training and skills, including specialized training in regard to financial crimes (including ML and AF), financial products, and financial processes
- Provided with sufficient financial, technical, and other resources to perform their functions.

Possible sources of information and data

- Experience of investigators, prosecutors, judges, the FIU, and other relevant government agencies with regard to capacity and resources for judicial processes.
- Briefly explain how ML and AF cases proceed before the courts. Are there any courts/judges specializing in financial crimes or ML in particular?
- **Skills:** Do judges have the necessary skills and experience to adjudicate ML/AF cases? What are their educational and professional qualifications? Do they have solid knowledge of financial products, processes, and financial crime and of ML typologies and AF?
- **Training:** How are judges trained? How many training courses do judges undergo? How many hours/days of training are provided? What does the training cover? How many judges receive the training? What is the quality of the training? Please provide details of the training courses and materials used.
- What proportion of cases proceeds to trial and what proportion of these result in convictions? If the number of convictions is too low, please discuss whether the capacity and resources for judicial processes or quality of the adjudication stage has had any impact.
- What proportion of AF cases proceeds to court and results in asset freezing orders and/or confiscation orders? If the number of asset freeze orders and confiscation orders is low, please discuss whether the capacity and resources of the judiciary have had any impact.

Assessment

Based on the assessment criteria and the information/data collected, decide the appropriate rating for this variable.

Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
1.0 ■	0.9 ■	0.8 ■	0.7 ■	0.6 ■	0.5 ■	0.4 ■	0.3 ■	0.2 ■	0.1 ■	0.0 ■

4.10. Integrity and Independence of Judges (including Asset Forfeiture)

Variable description

This variable assesses whether the judges presiding over prosecutions for money laundering offenses (and associated predicate offenses and proceeds of foreign predicate offenses and asset forfeiture matters) are able to function without fear or favor.

Assessment criteria

Judges act free from undue influence if they enjoy sufficient judicial independence and autonomy, display high professional standards and act with integrity. Among other indications:

- Safeguards are in place to preserve the integrity of the judges (in law and in practice).
- Proceedings/trials of alleged money laundering and related financial crime offenses are conducted without interference, political or social pressure, corruption, intimidation, or abuse of office.
- Proceedings/trials of asset forfeiture cases are conducted without interference, political or social pressure, corruption, intimidation, or abuse of office.
- The pace or outcome of proceedings/trials of alleged money laundering and related financial crime offenses is not influenced by interference, political or social pressure, corruption, intimidation, or abuse of office.
- The pace or outcome of proceedings/trials of asset forfeiture cases is not influenced by interference, political or social pressure, corruption, intimidation, or abuse of office.
- Proceedings/trials against powerful members of society and high-profile criminals are instituted and concluded in an objective and professional manner.
- Asset forfeiture proceedings/trials affecting powerful members of society and high-profile criminals are instituted and concluded in an objective and professional manner.

Possible sources of information and data

- Experience of prosecutors, investigators, the FIU, law enforcement interacting with judges (in relation to integrity and independence).
- Perception indexes and surveys (such as Transparency International's Corruption Perceptions Index) on the general level of corruption/integrity in the country.
- Perception indexes and surveys on levels of corruption/integrity of the judicial system.
- Statistics on integrity breaches by judges.
- Any academic reports, studies, or articles on judicial independence in the jurisdiction.
- Please assess the political environment in the country. Is it possible for politicians and other influential people to interfere with judgments? Are the AF/ML judges well protected (in terms of both the legal framework and in practice) against these political pressures?
- What proportion of cases proceeds to trial and what proportion of these result in convictions? If the number of convictions is low, please discuss whether the integrity of the AF/ML judges has had any impact.
- What proportion of AF cases proceeds to court and result in asset freezing orders and/or confiscation orders? If the number of asset freeze orders and confiscation orders is low, please discuss whether the integrity and independence of the judiciary has had any impact.












It may be difficult to ensure objectivity in the assessment of this variable. Even if integrity breaches have not been detected, the assessment of this variable needs to be in accord with the general level of integrity/corruption in the country. While assessing this variable, please take into account the impact of external factors such as political pressure, lack of safeguards, etc., on the integrity of AF/ML judges.

Assessment

Based on the assessment criteria and the information/data collected, decide the appropriate rating for this variable.

Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
1.0 ■	0.9 ■	0.8 ■	0.7 ■	0.6 ■	0.5 ■	0.4 ■	0.3 ■	0.2 ■	0.1 ■	0.0 ■

4.11. Quality of Border Controls

Variable description This variable assesses whether the geographical circumstances and border control mechanisms of the country renders the country secure against any attempts to smuggle bulk cash, precious stones, etc., into or out of the country.										
Assessment criteria Border controls of the country are weak if: <ul style="list-style-type: none"> • The border controls are too loose and it is relatively convenient to cross borders illegally because of the absence of geographical/natural barriers, the proximity of border to the road network or urban areas, etc. • Some of the country's borders are known as routes for smuggling trade goods, people, drugs, arms, etc., and can also be abused for smuggling cash. If specific information about cash smuggling is not available, please take into account the volume, trends, and methods of other types of smuggling through illegal border passages.										
Possible sources of information and data <ul style="list-style-type: none"> • Interviews with border patrol agencies • Statistics on cross-border cash smuggling • Interviews with members of communities that are vulnerable to being used for cross-border smuggling • Publications and reports on cross-border cash smuggling. 										
Assessment Based on the assessment criteria and the information/data collected, decide the appropriate rating for this variable.										
Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
1.0 	0.9 	0.8 	0.7 	0.6 	0.5 	0.4 	0.3 	0.2 	0.1 	0.0 

4.12. Comprehensiveness of Customs Regime on Cash and Similar Instruments

Variable description

This variable assesses whether the country has a comprehensive and well-designed legal and regulatory framework that effectively informs all travelers entering and leaving the country about their AML/CFT related declaration or disclosure obligations and the consequences of any wrongdoing, and allows the authorities to effectively detect and deter any unauthorized physical cross-border transportation of cash, bearer negotiable instruments and precious metals and stones.

Please note that this variable focuses only on the comprehensiveness of AML legal and regulatory framework for customs regime on cash and excludes the assessment of implementation and actual effectiveness, which are being assessed under a separate input variable.

Assessment criteria

The country's customs regime is comprehensive if the country has a legal and regulatory regime in place to:

- Detect the physical cross-border transportation of currency and bearer negotiable instruments
- Stop or restrain currency and bearer negotiable instruments that are suspected of being related to money laundering
- Stop or restrain currency or bearer negotiable instruments that are falsely declared or disclosed—on suspicion of ML or predicate offense(s)
- Apply appropriate sanctions for making a false declaration or disclosure
- Enable confiscation of currency or bearer negotiable instruments, as well as precious metals and stones that are related to money laundering.

This variable also takes into account the cross-border transportation of precious metals and stones, which can be abused for value transfer purposes. When deciding on the rating for this variable, therefore, please also consider the comprehensiveness of laws, regulations and declaration/disclosure requirements relating to precious metals and stones.

Possible sources of information and data

- Relevant customs laws and regulations
- Experience and views of customs authorities, including any previous assessments or studies.

Assessment

Based on the assessment criteria and the information/data collected, decide the appropriate rating for this variable.

Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
1.0 ■	0.9 ■	0.8 ■	0.7 ■	0.6 ■	0.5 ■	0.4 ■	0.3 ■	0.2 ■	0.1 ■	0.0 ■

4.13. Effectiveness of Customs Controls on Cash and Similar Instruments

Variable description

This variable assesses whether the country enforces the customs laws and regulations effectively, and is able to actually detect and deter any attempt for unauthorized transportation of cash, negotiable instruments and precious metal and stones.

Assessment criteria

The customs controls on cash and similar instruments are effective if the country:

- Effectively informs all the passengers with respect to any limitations on transportation of cash, their relevant declaration/disclosure duties, and the legal consequences of any violations.
- Effectively enforces the declaration/disclosure requirements, and ensures that most people appropriately declare cash/negotiable instruments while entering or exiting the country.
- Has adequate screening procedures and equipment, as well as adequate human capacity to do the screening and random or risk-based physical search, to detect unauthorized/illegal transportation of cash by persons while entering or exiting from the country, and does this screening and physical search effectively. (For example, some countries have trained dogs to detect bulk cash. This kind of practice will improve the effectiveness significantly.)
- Has adequate screening procedures and equipment, as well as adequate human capacity to do the screening and random or risk-based physical search, to detect unauthorized/illegal transportation of cash in vehicles and shipping containers while entering or exiting from the country, and does this screening and physical search effectively.
- Effectively applies the appropriate measures and sanctions for failing to declare and for unauthorized/illegal transportation of cash, negotiable instruments, and precious metal and stones.
- The controls are equally effective for incoming and outgoing cash.

While assessing this variable, consider discussing the effectiveness of trade customs and passenger customs separately.

Possible sources of information and data

- Surveys or interviews with customs authorities.
- Public information and news on unauthorized/illegal transportation of cash, negotiable instruments, and precious metal and stones.
- Academic reports, studies on unauthorized/illegal transportation of cash, negotiable instruments, and precious metals and stones
- Interviews with government agencies and financial sector representatives from regions where customs are located.
- Statistics on declarations of cash (and similar instruments).
- Statistics on sanctions applied for failures to declare transportation of cash
- Statistics on bulk cash smuggling cases and detected amounts.
- Statistics on sanctions applied to smuggling of cash (and similar instruments).
- Interviews with market players (particularly the ones engaged in international trade).
- Surveys or interviews with immigrant/migrant communities (if any), including civil society organizations representing or knowledgeable about such communities.

The Working Group is encouraged to refer to FATF's February 2010 Guidance Document, *International Best Practices—Detecting and Preventing the Illicit Cross-border Transportation of Cash and Bearer Negotiable Instruments*, when rating the effectiveness of customs controls in their country.

Assessment

Based on the assessment criteria and the information/data collected, decide the appropriate rating for this variable.

Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
1.0 ■	0.9 ■	0.8 ■	0.7 ■	0.6 ■	0.5 ■	0.4 ■	0.3 ■	0.2 ■	0.1 ■	0.0 ■

4.14. Effectiveness of Domestic Cooperation

Variable description

This variable assesses whether, when required, the country's relevant AML agencies cooperate effectively and coordinate domestically with each other to combat money laundering.

Assessment criteria

Relevant AML agencies involved in combating money laundering, are able to cooperate and coordinate effectively, when required, if:

- The FIU, intelligence services, investigators of financial crime, asset forfeiture investigators, regulators, customs and tax authorities, and, when appropriate, the prosecutors of financial crime, meet regularly to share information and discuss joint initiatives, especially when they have joint committees and structures that meet regularly to exchange intelligence and information.
- There is a legal framework that allows for joint investigations by relevant investigative units and such investigations are undertaken, where required.
- There is effective cooperation between relevant AML agencies and reporting entities.
- There is a fully functional interagency cooperation committee or similar high-level committee in the AML area, such as the National AML/CFT Coordination Committee.

Possible sources of information and data

- Experience of relevant AML and other domestic agencies.
- Information on any operational coordination and cooperation issues among law enforcement, the FIU, prosecutors, judicial authorities, and supervisory agencies,
- Information on cooperation between relevant AML agencies and reporting institutions,
- Information on an interagency cooperation committee or similar high-level committee in the AML area, such as the National AML/CFT Coordination Committee. Which agencies are represented on this committee? How often does this committee meet? How effectively does it work? What have been the outcomes of the committee's activities so far?
- How many joint investigations have been conducted so far? Please give details.

Assessment

Based on the assessment criteria and the information/data collected, decide the appropriate rating for this variable.

Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
1.0 ■	0.9 ■	0.8 ■	0.7 ■	0.6 ■	0.5 ■	0.4 ■	0.3 ■	0.2 ■	0.1 ■	0.0 ■

4.15. Effectiveness of International Cooperation

Variable description

This variable assesses whether the country actively and effectively renders and requests international cooperation in relation to money laundering, associated predicate offenses, related financial crime investigations and prosecutions, and asset forfeiture matters. Please consider international cooperation not just by law enforcement authorities but also by supervisory, customs, and other relevant authorities.

Assessment criteria

A country actively and effectively renders and requests international cooperation in relation to money laundering, associated predicate offenses, related financial crime investigations and prosecutions, and asset forfeiture matters if:

- The country has a broad legal basis and mechanisms in place for providing assistance, including authority under international and regional conventions, mutual legal assistance treaties, Memoranda of Understanding or other agreements, and reciprocity.
- The country provides the widest possible range of mutual legal assistance (MLA), pre-MLA assistance, and informal information or intelligence. Evidence, information, and intelligence is shared rapidly, constructively, and effectively in relation to money laundering, associated predicate offenses, related financial crime investigations and prosecutions, and asset forfeiture matters.
- When requested or required, the country provides international cooperation on an urgent basis.
- The country provides basic and beneficial ownership information of legal entities and legal arrangements formed or administered in or from the country in a timely manner in response to requests from foreign supervisors and law enforcement authorities, including tax authorities.
- There is an ability to coordinate ML investigations or forfeiture actions with counterparts in other countries.
- The country is able to provide assistance in response to requests for cooperation made on the basis of NCB proceedings and related provisional measures.
- The authorities responsible for MLA (e.g., a central authority) are provided with adequate financial, human, and technical resources.
- The central authority effectively coordinates the work of domestic agencies to help ensure that the MLA requests are responded to in a timely manner.
- The country utilizes international law enforcement networks, such as Egmont and Interpol, for information and intelligence sharing.

Please also consider the role of the FIU in international cooperation in criminal matters.

The WG should consider both formal mutual legal assistance (MLA) and informal/pre-MLA exchanges (FIU/FIU, police/police, customs/customs and prosecutor/prosecutor, etc.) when assessing the country's effectiveness in rendering and requesting international legal assistance in relation to money laundering, associated predicate offenses, related financial crime investigations and prosecutions and asset forfeiture matters.












Possible sources of information and data

- Information on the legal basis for the country's international cooperation (including on the basis of reciprocity).
- Experience of the FIU, law enforcement agencies, custom officials, prosecutors, and tax and supervisory authorities with regard to international cooperation.
- Experience of the relevant central authority with regard to international cooperation.
- Feedback from foreign counterparts as to the quality and timeliness of responses to their requests and their experiences in responding to requests from the country.
- Statistics on ML/AF-related international cooperation requests made by the jurisdiction and responses from other jurisdictions. These statistics should be from the central for MLA requests, as well as from the FIU, law enforcement, supervisory, tax and other relevant authorities; and should include the number of the cases with country breakdown, nature of the cases, and amounts of proceeds of crime involved.
- Statistics on ML/AF-related international cooperation requests received by the jurisdiction and its response (number of the cases with country breakdown, nature of the cases, and amounts of proceeds of crime involved).
- Statistics on ML/AF-related assistance requests rejected and the reason for rejection.
- Data as to the length of time it takes the country to respond to informal/pre-MLA, and formal MLA requests for assistance.
- Data on number of requests for basic and beneficial ownership information of legal entities formed or administered in or from the country (if possible, by form of entity).

- Data on number of requests for beneficial ownership information of legal arrangements formed or administered in or from the country (if possible, by form of arrangement).
- Working Group discussion of the problems faced with international cooperation, including enforcement of foreign NCB orders.
- Information on the country's use of the Egmont Group (if a member) and Interpol as channels for informal information/intelligence sharing.
- Information on participation in international or regional networks by law enforcement and/or prosecutors.
- Information on some of the important aspects of information/intelligence sharing requests:
 - Do the FIU, police, prosecutors, tax authorities, supervisors, and other relevant authorities have a statutory mandate that authorizes the exchange of information with foreign counterparts?
 - Are exchanges subject to constraints or limitations?
 - Do the FIU, police, prosecutors, tax authorities, supervisors, and other relevant authorities respond to requests for information from foreign counterparts? Do they use the power to exchange information on a regular basis? Do they disclose information proactively/spontaneously (in the absence of a request from a foreign counterpart)?
 - How long does it take to respond to requests for information?

Assessment

Based on the assessment criteria and the information/data collected, decide the appropriate rating for this variable.

Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
1.0 	0.9 	0.8 	0.7 	0.6 	0.5 	0.4 	0.3 	0.2 	0.1 	0.0 

4.16. Availability of Independent Audit

Variable description This variable assesses whether the country has sound independent auditing practices. Sound independent auditing practices increase financial transparency and ensure that proper and reliable accounting records and financial statements are available, thereby ensuring that entities are less vulnerable to abuse by criminals.										
Assessment criteria The country's independent auditing practices are sound if: <ul style="list-style-type: none"> • The independent auditors/audit firms conduct audits in accordance with generally accepted auditing standards (GAAS). • The reporting entities rotate their independent auditors/audit firms every 5–7 years. • There have been few integrity breaches by independent auditors/audit firms over the past few years. • It is mandatory for reporting entities to evaluate the independent auditor's/audit firm's performance. • The reporting entities are mandated to disclose professional fees paid for audit and non-audit services. • There is regular and effective engagement and communication between the independent auditors/audit firms and the audit committee of the organizations. • There is open, timely, and regular communication between reporting entities' supervisory authority, independent auditors/audit firms, and the accounting profession as a whole on key risks and systemic issues, as well as a continuous exchange of views on appropriate accounting techniques and auditing issues. • There is regular and effective dialogue between the supervisory authority of reporting entities and the relevant audit oversight body. • The audit rules require that potential or existing independent auditors/audit firms disclose in writing any independence issues and confirm their independence. • The audit rules require the prospective independent auditor's/audit firm's internal control procedures to guarantee the uniform quality of the audit and compliance with auditor independence requirements. <p>While assessing this variable, please consider the percentage of reporting entities that are conducting an independent audit on a regular basis. If this percentage is low, the assessment rating for this variable should be low.</p>										
Possible sources of information and data <ul style="list-style-type: none"> • Interviews/consultations with the audit oversight bodies • Interviews/consultations with the tax authorities • Interviews/consultations with the relevant supervisory bodies • Surveys of audit committees of reporting entities • Statistics on integrity breaches by independent auditors/audit firms • Statistics on previous audits that required restatements, legal settlements, or disciplinary or enforcement proceedings against independent auditors/audit firms • Findings of tax authorities on dual accounting and other fraudulent accounting practices • Studies, reports, articles, etc., on the integrity and quality of auditing practices in the country. 										
Assessment Based on the assessment criteria and the information/data collected, decide the appropriate rating for this variable.										
Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
1.0 ■	0.9 ■	0.8 ■	0.7 ■	0.6 ■	0.5 ■	0.4 ■	0.3 ■	0.2 ■	0.1 ■	0.0 ■

4.17. Level of Financial Integrity

Variable description

This variable assesses the level of financial integrity, focusing on the quality of business and professional ethics and tax transparency in the country. This variable assesses whether the country's tax framework provides for (1) transparency of financial matters of citizens and residents, and (2) the sharing of information by the tax authorities and law enforcement agencies, where appropriate.

If the country has a sufficient level of tax transparency, it is more difficult for criminals to evade detection of money laundering activity and easier to prosecute them.

Assessment criteria

The country has a high level of financial integrity if:

- Business institutions and professions are committed to good corporate governance, tax compliance, and a generally high level of business ethics, as evidenced by appropriate codes of conduct, as well as the absence of statistics or other indications of a significant number of:
 - Failures to adhere to the codes of conduct, and/or
 - Financial crime cases, including fraud, theft, tax evasion, money laundering, corruption, industrial espionage, insider trading, market abuse, and insolvency offenses.
- The country has a high level of tax transparency, as evidenced by:
 - Its tax system, which requires natural and legal persons to provide comprehensive information about their income and assets to the tax authorities
 - Law enforcement agencies' access to information held by the tax authorities when they investigate money laundering offenses by a taxpayer, where appropriate
 - Information sharing with international law enforcement agencies, where appropriate, as envisaged in Article 26 of the OECD's Model Tax Convention.
- False tax declarations, failure to adhere to the codes of conduct, misleading financial records, and existence of different books of accounts for tax purposes are considered serious financial crimes and there are sanctions available to deal with such crimes.
- There is record of cases where sanctions were imposed for the above-mentioned financial crimes.
- Investigators can rely on financial records of the businesses to trace the money flow when investigating ML cases.

Actual levels of financial integrity are difficult to determine. Statistics on the number of cases of failures of business and professional ethics and statistics on financial crime (including tax fraud/evasion) in the country may provide an indication. What is required is a judgment as to whether or not the numbers of integrity failures are sufficiently significant to indicate the involvement (ranging from unwitting facilitation to acting as witting accomplices) of ML by professional intermediaries.

Possible sources of information and data

- Experience of law enforcement agencies, ML investigators, and tax authorities with regard to financial integrity
- Experience of professional bodies, and oversight/regulatory bodies with regard to the adherence of code of conduct/ethics
- Details of country's tax framework
- Statistics on the number of cases of failures of business and professional ethics (including sanctions imposed by supervisory authorities for such breaches)
- Statistics on the number of cases of financial crime, including fraud, theft, tax evasion, money laundering, corruption, industrial espionage, insider trading, market abuse, and insolvency offenses
- Statistics on number of cases where sanctions were given for false tax declarations, false financial records, and failure to adhere to the codes of conduct, etc.

Assessment

Based on the assessment criteria and the information/data collected, decide the appropriate rating for this variable.

Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
1.0 ■	0.9 ■	0.8 ■	0.7 ■	0.6 ■	0.5 ■	0.4 ■	0.3 ■	0.2 ■	0.1 ■	0.0 ■

4.18. Effectiveness of Tax Enforcement

Variable description

This variable assesses the effectiveness and efficiency of tax enforcement in the country. It assesses whether the tax laws are enforced fully, fairly, and consistently, through regulatory enforcement such as tax inspection and criminal and civil litigation, in order to promote voluntary compliance with the tax laws and to maintain public confidence in the integrity of the tax system. Audit inspections by tax authorities are a major tool for tackling noncompliance with the tax laws.

Tax authorities should have adequate capacity and resources and should enjoy sufficient operational independence and autonomy to effectively and efficiently undertake tax enforcement in the country.

Assessment criteria

Tax enforcement in the country is effective and efficient if:

- There is a comprehensive legal framework, including the provision of adequate powers for obtaining information and an appropriate regime of sanctions to deter and penalize noncompliance with tax laws.
- Audit inspection by the tax authorities promotes voluntary compliance by taxpayers with the tax laws.
- A balanced program of tax audits exists; it balances “coverage,” “audit quality,” and “overall deterrent” considerations.
- Tax audit programs are adequately structured, funded, and staffed by persons with appropriate training and skills and are provided with sufficient financial, technical, and other resources to perform their functions.
- Tax officials can perform their duties free from undue influence with sufficient operational independence and autonomy.
- Safeguards are in place to preserve the integrity of the tax officials (in law and in practice).
- Taxpayers education programs have positively influenced taxpayers’ behavior to comply with their tax obligations in the past.
- There have been cases where sanctions have been imposed on individuals and businesses for noncompliance with the tax laws.

Possible sources of information and data

- Interviews/consultations with the tax authorities.
- Briefly describe the legal tax framework (especially in relation to the powers of tax authorities and sanctions for noncompliance with the tax laws).
- Briefly describe the organization, structure, and management of tax audit programs.
- **Staff:** Is the number of staff that is involved in tax audit adequate? Are there any plans to increase the number of staff? Do staff members stay in a particular function for an adequate period of time, or are they reassigned regularly (e.g., every couple of years)?
- **Skills:** Do staff have the necessary skills and experience to conduct tax audits? What are their educational and professional qualifications?
- **Training:** How many training courses have staff undergone? How many hours/days of training are provided? What subjects does the training cover? How many staff receive the training? Is there an ongoing training program? Is there any structured learning and development program? What is the quality of the training? Please provide details of the training course and materials used.
- Perception indexes and surveys on level of corruption/integrity of tax authorities.
- Statistics on integrity breaches by tax authorities (especially tax audit staff).
- Statistics measuring taxpayers’ compliance behavior following an audit via a post-assessment audit review.
- Statistics of criminal and civil litigations against taxpayers (information on sanctions imposed for noncompliance).
- Surveys of audited taxpayers to measure businesses’/individuals’ understanding, expectations, and perception of tax audits; their suggestions for improvement; and the likely effect of tax audit on future compliance behavior.

Assessment

Based on the assessment criteria and the information/data collected, decide the appropriate rating for this variable.

Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
1.0	0.9	0.8	0.7	0.6	0.5	0.4	0.3	0.2	0.1	0.0

4.19. Level of formalization of the Economy

Variable description

This variable assesses the degree to which the economy is formalized, and whether there is significant level of informal economic activity in the country. As a result of various conditions in a country, including low regulatory and law enforcement capacity, limited economic regulation, high levels of social exclusion, and/or tax considerations, some economic activities may remain or become unregistered and informal. Such activities may, or may not, be illegal in and of themselves. Generally, records are not kept of informal economic activities, making it difficult for law enforcement authorities to access transaction and client information. Informal/unregistered economic activities pose challenges for law enforcement agencies when they investigate and attempt to prosecute money laundering offenses and trace proceeds of crime. The larger the informal economy, the lower the level of formalization of the economy. Please note that the size of the formal economy and the formalization level of the economy are not the same. For example, if 50% of the economy is formal, the level of formalization of the economy will need to be rated as low rather than medium. This is because 50% of the economy is informal. (See table below.)

Assessment criteria

The level of formalization of the economy is considered low if:

- Informal economic activities make a sizable contribution to the GDP of the country.
- Laws and regulations requiring the formalization of economic activities are limited.
- Laws and regulations are not effectively enforced.
- A significant proportion of economic activities is traditionally cash-based and unrecorded.
- There are no incentives prompting the transition from informal to formal economic activity.
- The information infrastructure of the country is inadequate to support transparency of the economy.

Please note that this variable is not limited to informal businesses, but intends to capture also the informal activities/operations of formal businesses. In many countries, formal businesses prefer to keep some operations off the record, mostly for tax evasion purposes.

If an estimate of the size of informal economy is available, please consult the following table to arrive at an assessment rating for this variable.

Share of informal economy in country's GDP	Corresponding assessment rating for formalization of economy
Informal Economy ≤ 5%	(1.0) Excellent
5% < Informal Economy ≤ 10%	(0.9) Close to Excellent
10% < Informal Economy ≤ 15%	(0.8) High
15% < Informal Economy ≤ 20%	(0.7) High
20% < Informal Economy ≤ 25%	(0.6) Medium High
25% < Informal Economy ≤ 30%	(0.5) Medium
30% < Informal Economy ≤ 35%	(0.4) Medium Low
35% < Informal Economy ≤ 40%	(0.3) Low
40% < Informal Economy ≤ 50%	(0.2) Low
50% < Informal Economy ≤ 60%	(0.1) Very Low
Informal Economy > 60%	(0.0) Extremely Low

Possible sources of information and data

- Academic reports, studies on informal economic activities in the country
- Interviews/consultations with the regulatory authorities, law enforcement authorities and tax authorities
- Studies/reports on financial/social exclusion in the country.

Assessment

Based on the assessment criteria and the information/data collected, decide the appropriate rating for this variable.

Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
1.0 ■	0.9 ■	0.8 ■	0.7 ■	0.6 ■	0.5 ■	0.4 ■	0.3 ■	0.2 ■	0.1 ■	0.0 ■

4.20. Availability of Reliable Identification Infrastructure

Variable description

Financial transparency and customer identification and verification processes are enhanced when AML-regulated institutions are able to verify the identity of customers using reliable, independent source documents, data or information. A good identification infrastructure will also prevent the use of fake documents and false identities. Fake documents and false identities hamper the ability to detect and investigate money laundering and trace the proceeds of crime.

Assessment criteria

A good identification infrastructure exists and information is available if AML-regulated institutions can rely on the country's identification infrastructure. For instance, there is reliable and secure government or private sector documentation, data or information to identify and verify the identity of the clients.

The infrastructure may consist of:












- A secure national identification system with government-issued identity documents, whether issued by the national or a local authority, and/or
- Comprehensive and reliable public information systems that assist in the verification of clients' details.

Possible sources of information and data

- Information about the national identification system
- Information on a national identification (ID) infrastructure database and its suitability and availability for ID verification purposes (if available)
- Information on available identification documents and installed anti-counterfeit measures
- Statistics (or experience) concerning the frequency of cases involving the use of fraudulent ID documents
- Statistics relating to the part of the population that lacks proper ID documents
- Information on any community or social group (such as immigrant communities, tribes, etc.) whose members have no ID documents or have no access to ID documents
- Discussions with reporting entities on the usefulness of the identification infrastructure
- Discussion of reasons why the national identification system and practices are not working ideally.

Assessment

Based on the assessment criteria and the information/data collected, decide the appropriate rating for this variable.

Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
1.0 	0.9 	0.8 	0.7 	0.6 	0.5 	0.4 	0.3 	0.2 	0.1 	0.0 

4.21. Availability of Independent Information Sources

Variable description										
This variable assesses the availability of independent and reliable sources of information to determine transaction patterns of clients. Customer Due Diligence processes are easier to perform, and are generally of a higher quality, if such sources are available. They can be used to identify or verify clients' transactional patterns and commercial history. Such information may include data held by credit bureaus, details of previous banking relationships, accessibility to former employers, and the availability of utility bills.										
Assessment criteria										
Independent and reliable information sources are available if sources of comprehensive and reliable historical financial information and other information about clients are available and can easily be accessed by AML-regulated institutions.										
Possible sources of information and data										
<ul style="list-style-type: none"> Interviews/consultations with the reporting entities and their respective supervisory authorities Surveys of reporting entities' management and staff Interviews with credit bureaus, utility companies, etc., with regard to information available on clients. 										
Assessment										
Based on the assessment criteria and the information/data collected, decide the appropriate rating for this variable.										
Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
1.0 ■	0.9 ■	0.8 ■	0.7 ■	0.6 ■	0.5 ■	0.4 ■	0.3 ■	0.2 ■	0.1 ■	0.0 ■

4.22. Availability and Access to Beneficial Ownership Information

Variable description

This variable assesses whether it is easy for criminals to hide their beneficial ownership in corporations, trusts or similar structures registered in or administered from within the country.

Assessment criteria

Transparency relating to beneficial interests in corporations, trusts or similar entities is in place if comprehensive information on the structure, management, control, and beneficial ownership in corporations, trusts, and similar vehicles is available and can be accessed in a timely manner by competent authorities and is available to AML-regulated institutions and businesses and professions to facilitate their Customer Due Diligence requirements.

Possible sources of information and data

- Information as to whether regulated businesses or professions (e.g., lawyers, notaries, or trust and company service providers) are required to form, register, or administer a legal entity or legal arrangement
- Information as to the mechanism chosen by the country to collect and maintain basic and beneficial ownership information of legal entities formed or registered in the country, and beneficial ownership information of legal arrangements formed or administered in or from the country
- The relevant regulatory framework and the effectiveness of beneficial ownership information Customer Due Diligence requirements (pertaining to natural persons and legal entities and legal arrangements)
- Statistics or information on crimes (including money laundering involving the use of shell companies or other opaque structures) and whether accurate, adequate, and current beneficial ownership can be accessed in a timely manner by competent authorities
- Interviews/consultations with the reporting entities and their supervisory authorities, law enforcement agencies, tax authorities, and, if applicable, the supervisors of Trust and Company Service providers
- Interviews/consultations with Trust and Company Service providers, law firms, and accountancy firms
- Surveys of reporting entities' management and staff
- Experience and opinion of the public authority or private agency that registers corporations and other legal entities.

Assessment

Based on the assessment criteria and the information/data collected, decide the appropriate rating for this variable.

Excellent	Close to Excellent	Very High	High	Medium High	Medium	Medium Low	Low	Very Low	Close to Nothing	Does not Exist
1.0 ■	0.9 ■	0.8 ■	0.7 ■	0.6 ■	0.5 ■	0.4 ■	0.3 ■	0.2 ■	0.1 ■	0.0 ■

5. DESCRIPTION OF THE INTERMEDIATE VARIABLES

As explained in Section 2, intermediate variables do not require assessment. These are determined by the Excel template, based on the outcomes of the assessments for the input variables. Descriptions of all intermediate variables are given in the table below.

VARIABLE	DESCRIPTION
Reliability of Financial Records/Books	<p>This variable assesses whether ML investigators can rely on the financial records/books to trace the flow of proceeds of crime in money laundering cases. This variable depends on the:</p> <ul style="list-style-type: none"> • <i>Level of Financial Integrity</i> • <i>Effectiveness of Tax Enforcement</i> • <i>Availability of Independent Audit.</i>
Quality of CDD Framework	<p>This variable assesses whether the country has the legal, institutional and technical framework to identify and verify the identities of natural and legal persons, to store the identification records and to facilitate the use of this information by authorized parties for AML purposes. This variable depends on the:</p> <ul style="list-style-type: none"> • <i>Availability of Reliable Identification Infrastructure</i> • <i>Availability of Independent Information Sources</i> • <i>Availability and Access to Beneficial Ownership Information.</i>
Accessibility to Reliable Information and Evidence	<p>This variable assesses whether the country has the ability to ensure that accurate financial and identification data is available and, where appropriate, accessible to authorized agencies involved in AML. This variable depends on the:</p> <ul style="list-style-type: none"> • <i>Level of Formalization of the Economy</i> • <i>Reliability of Financial Records and Books</i> • <i>Quality of CDD Framework.</i>
Quality of Customs Controls on Cash and Similar Instruments	<p>This variable assesses whether the country has a comprehensive and well-designed legal and regulatory framework, whether it enforces the customs laws and regulations effectively, and whether it is able to actually detect and deter any attempt for unauthorized transportation of cash, negotiable instruments and precious metals and stones. This variable depends on the:</p> <ul style="list-style-type: none"> • <i>Comprehensiveness of Customs Regime on Cash and Similar Instruments</i> • <i>Effectiveness of Customs Controls on Cash and Similar Instruments.</i>
Quality of Cross-Border Controls on Cash and Similar Instruments	<p>This variable assesses the quality of customs controls on cash and similar instruments and quality of border control mechanisms in the country. This variable depends on the:</p> <ul style="list-style-type: none"> • <i>Quality of Customs Controls on Cash and Similar Instruments</i> • <i>Quality of Border Controls.</i>
Quality of Criminal Investigation	<p>This variable assesses the ability and integrity of the law enforcement agencies to appropriately initiate and conduct investigations of alleged money laundering offenses (including asset forfeiture). This variable depends on the:</p> <ul style="list-style-type: none"> • <i>Quality of FIU Intelligence Gathering and Processing</i> • <i>Capacity and Resources for Financial Crime Investigations (including AF)</i> • <i>Integrity and Independence of Financial Crime Investigators (including AF)</i> • <i>Capacity and Resources for Financial Crime Prosecutions (including AF)</i> • <i>Integrity and Independence of Financial Crime Prosecutors (including AF)</i> • <i>Accessibility of Reliable Information and Evidence</i> • <i>Effectiveness of Domestic Cooperation</i> • <i>Effectiveness of International Cooperation.</i>

VARIABLE	DESCRIPTION
Quality of Criminal Prosecution	<p>This variable assesses the ability and integrity of the prosecutorial services to appropriately initiate and conduct prosecutions of alleged money laundering offenses (including asset forfeiture). This variable depends on the:</p> <ul style="list-style-type: none"> • <i>Quality of Criminal Investigation</i> • <i>Capacity and Resources for Financial Crime Prosecutions (including AF)</i> • <i>Integrity and Independence of Financial Crime Prosecutors (including AF)</i> • <i>Accessibility of Reliable Information and Evidence</i> • <i>Effectiveness of Domestic Cooperation</i> • <i>Effectiveness of International Cooperation.</i>
Quality of Adjudication	<p>This variable assesses the ability and integrity of the judges/judicial officials to preside over prosecutions for money laundering offenses (including AF) in a professional and appropriate manner. This variable depends on the:</p> <ul style="list-style-type: none"> • <i>Quality of Criminal Prosecution</i> • <i>Capacity and Resources for Judicial Processes</i> • <i>Integrity and Independence of Judges.</i>
Quality of Asset Forfeiture Framework	<p>This variable assesses the ability of the asset forfeiture framework (laws, processes and officers) to appropriately undertake asset forfeiture matters that result in effective asset forfeiture investigations, appropriate asset forfeiture orders and in the successful forfeiture of the proceeds and instrumentalities of crime. This variable depends on the:</p> <ul style="list-style-type: none"> • <i>Quality of FIU Intelligence Gathering and Processing</i> • <i>Capacity and Resources for Financial Crime Investigations (including AF)</i> • <i>Integrity and Independence of Financial Crime Investigators (including AF)</i> • <i>Capacity and Resources for Financial Crime Prosecutions (including AF)</i> • <i>Integrity and Independence of Financial Crime Prosecutors (including AF)</i> • <i>Capacity and Resources for Judicial Processes (including AF)</i> • <i>Integrity and Independence of Judges (including AF)</i> • <i>Comprehensiveness of Asset Forfeiture Laws</i> • <i>Accessibility of Reliable Information and Evidence</i> • <i>Effectiveness of Domestic Cooperation</i> • <i>Effectiveness of International Cooperation.</i>
Sector Vulnerability	<p>This variable assesses the vulnerability of each of the sectors (such as banking, securities, insurance, other financial institutions and the businesses/professions that make up the DNFBP sector) of the economy to money laundering offenses. The ratings for these will come from the various sector WGs, but if the NV WG disagrees with their ratings, the WGs need to discuss and reach agreement on the ratings.</p>
National ML Combating Ability	<p>This variable assesses the ability of a country to prosecute and penalize instances of money laundering offenses and to forfeit the proceeds and instrumentalities of crime. The level of ML combating ability of a country depends on:</p> <ul style="list-style-type: none"> • <i>Quality of AML Policy and Strategy</i> • <i>Effectiveness of ML Crime Definitions</i> • <i>Quality of Cross-border Cash Controls</i> • <i>Quality of Criminal Investigations</i> • <i>Quality of Criminal Prosecution</i> • <i>Quality of Adjudication</i> • <i>Quality of Asset Forfeiture Framework.</i>
Overall Sectoral ML Vulnerability	<p>This variable assesses the overall vulnerability of various sectors (such as Banking, Securities, Insurance, Other Financial Institutions, and DNFBPs) of the economy to money laundering offenses.</p>
National ML Vulnerability	<p>This variable assesses the vulnerability of a country to money laundering offenses. The level of national ML vulnerability of a country depends on the level of overall sectoral ML vulnerability and national ML combating ability.</p>

ANNEX – INSTRUCTIONS FOR USING THE EXCEL FILE (MODULE 2)

At this stage, the input variables have been assessed, and assigned a rating. These ratings now need to be entered into the Excel file. This Annex provides step-by-step instructions for using the Excel file to assess the national vulnerability of the country.

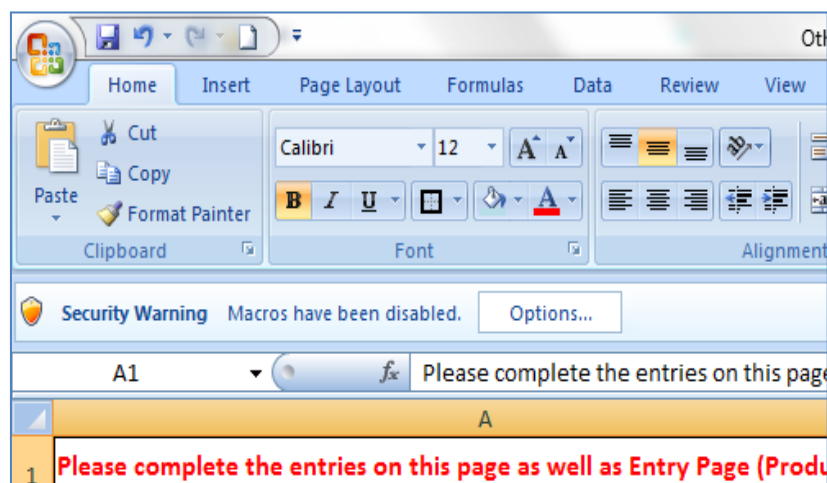


- While reading these instructions, open and try to use the Excel file in parallel to aid your understanding.
- Please make sure that you have a recent and full version of Windows Office Excel installed. The Excel file works only with Office Professional 2007 and later versions. Earlier versions or home/student versions of Excel, which have limited functions, do not support the file.
- Do not work in the original Excel file. Always create a copy of it and work in the copied (working) version. This way, if the macros in the working version become corrupted, you will still have an intact version of the file.
- Do not add or delete any rows/columns in the Excel file, as this can corrupt the macros or formulas in it.
- There are two different versions of the National Vulnerability Excel file: a generic version and a version modified for financial centers. The difference between the two lies in the weights and prerequisites. Please use the version that corresponds most closely to your own country context.

Step 1: Before you start

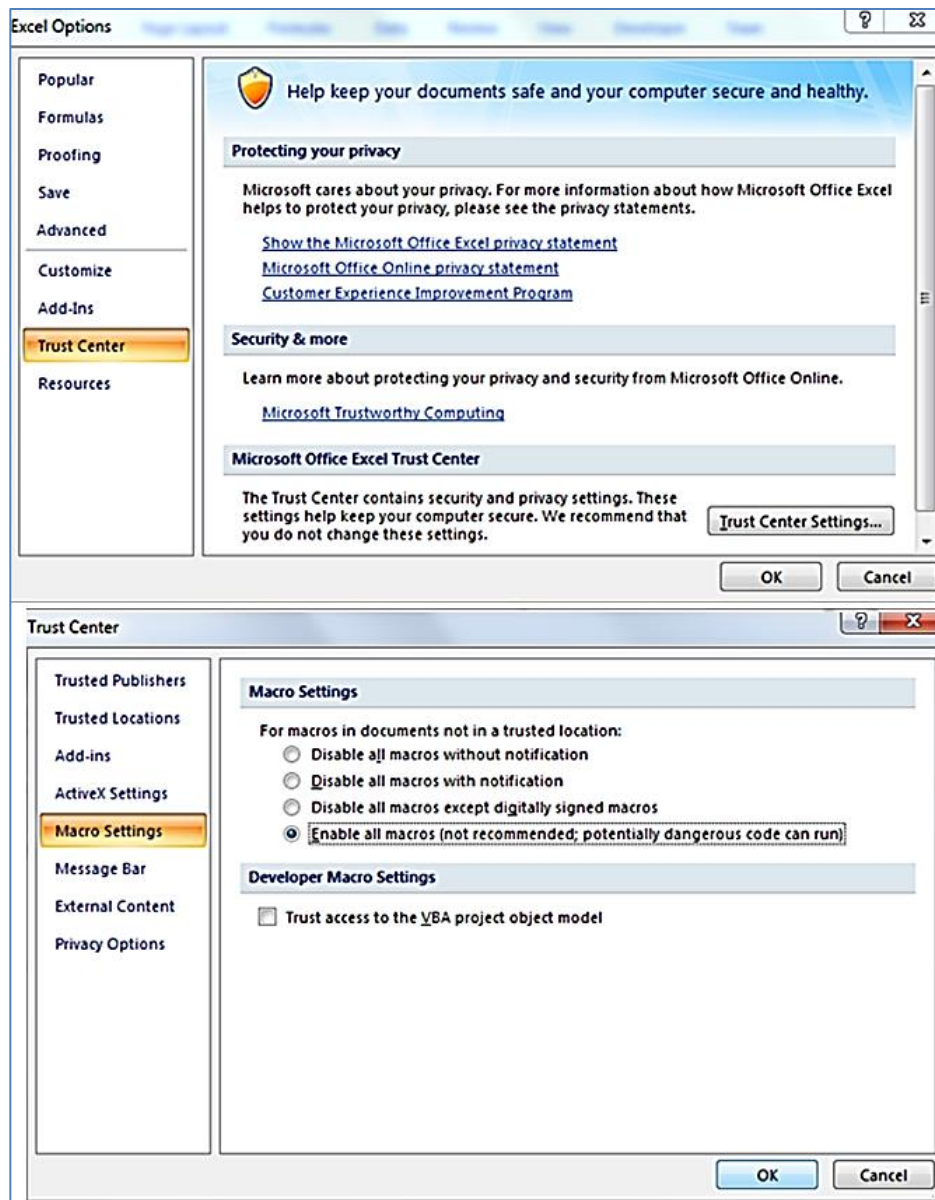
After opening the Excel file, first enable macros. A security warning will appear in the top left-hand corner of the first tab (Entry Page), warning you that macros are disabled (see Figure 3). Click on the **Options** icon and select the **Enable this Content** option. Click **OK**, or (depending on which version of Excel is being used) click on the **Enable Content** icon in the toolbar. This is an important step, because without it the Excel file will not function properly.

Figure 3: Macro security warning



If the macro security warning (Figure 3) does not appear, change the macro settings. To change the macro settings, click the **Microsoft Office Button** (in the top left corner) and select **Excel Options**. In the Excel Options window, select the **Trust Center** option and click on **Trust Center Settings** (see Figure 4). When the Trust Center window opens, select the **Macro Settings** option (Figure 4). In this list, select the option **Enable all Macros** and click **OK**.

Figure 4: Macro settings



Step 2: Entries for input variables (in the Entry Page tab)

For each input variable, select your chosen rating in the drop-down list. The options range from **(1.0) Excellent** to **(0.0) Does Not Exist**. Notice that higher assessment ratings for input variables/national combating ability factors implies that the country has better AML controls in place, which will lead to a lower national money laundering vulnerability for the country. The Excel file automatically colors the entries according to their level of desirability (i.e., green=desirable, red=undesirable, etc.) – as shown in Figure 5.

Figure 5: Entries for input variables (in the Entry Page tab)

Please complete the entries on this page as well as Entry Page (Sectors), before saving the scenario/case. Buttons to save the cases/s		
A. INPUT VARIABLES/NATIONAL ML COMBATING ABILITY FACTORS		ASSESSMENT RATING
Quality of AML Policy and Strategy	(1.0) Excellent	1
Effectiveness of ML Crime Definition	(0.9) Close to Excellent	0.9
Comprehensiveness of Asset Forfeiture Laws	(0.8) Very High	0.8
Quality of FIU Intelligence Gathering and Processing	(0.7) High	0.7
Capacity and Resources for Financial Crime Investigations (incl. AF)	(1.0) Excellent (0.9) Close to Excellent (0.8) Very High (0.7) High (0.6) Medium High (0.5) Medium (0.4) Medium Low (0.3) Low (0.2) Very Low (0.1) Close to Nothing (0.0) Does Not Exist	0.6
Integrity and Independence of Financial Crime Investigators (incl. AF)		0.5
Capacity and Resources for Financial Crime Prosecutions (incl. AF)		0.4
Integrity and Independence of Financial Crime Prosecutors (incl. AF)		0.3
Capacity and Resources for Judicial Processes (incl. AF)	(0.2) Very Low	0.2
Integrity and Independence of Judges (incl. AF)	(0.1) Close to Nothing	0.1
Quality of Border Controls	(0.0) Does Not Exist	0

ENTRY PAGE ENTRY PAGE (Sectors) SCENARIO ANALYSIS SCENARIO ANALYSIS (Sectors) OUTPUT CHARTS VULN

To complete the assessment, assessment ratings need to be entered for all twenty-two input variables. If the rating for any input variables has not been entered, a warning that the file is incomplete will appear in row 27 of the Entry Page tab.

Bear in mind that the assessment of the input variables is applicable to the entire country, and determines the national money laundering combating ability of the country.

Step 3: Entries for the sectors (in the Entry Page (Sectors) tab)

Once all the input variables assessment ratings have been entered into the Entry Page tab, move to the next tab, which is Entry Page (Sectors). This is where the final vulnerability scores and the relevant sector weights are entered. List the sectors assessed by other Working Groups (WGs) in Column A of the Entry Page (Sectors) tab (see Figure 6). Please limit the assessment to the 20 most important sectors for the country. The final vulnerability score for each of the sectors assessed should be received from the WG of the respective sector. Enter the final vulnerability scores and weights for each of the sectors in Column B and Column C respectively (see Figure 6).

Assign a weight between 1 and 10 for each sector, with more important sectors being weighted more heavily (1=lowest weight, 10=highest weight). Sectors that are most important in the country's economy and financial sector should be weighted most heavily. Although a sector's share in the GDP may provide an indication of an appropriate weighting, it may be unwise to rely solely on this criterion. Special circumstances (e.g., the key role of a particular profession in multiple sectors, informal business activities that may not be accurately reflected in GDP or tax records, etc.) may mean that a separate judgment is required to ascertain the impact of the sector. In such cases, the WG should assign a weighting based on its judgment, taking all relevant factors into account. While this is under the National Vulnerability module, deciding the weights of the sectors requires the input of all the WGs.

Figure 6: Entries for the sectors (in the Entry Page (Sectors) tab)

List the sectors assessed in column A. Final Vulnerability score for each of the sectors assessed to be received from the respective sector's Working Group. Assign a weight between 1 and 10 for each sector. More important the sector, higher the weight. Please press the scenario buttons below to save the cases.		
SECTORS	FINAL VULNERABILITY SCORE	WEIGHTS
Banking Sector	0.5	10
Securities Sector	0.8	2
Life Insurance	0.4	1
Money Remitters	0.7	8
Exchange Offices	0.6	7
Casinos	0.9	1
Real Estate Agents	0.8	6
Lawyers	0.6	1
<div> <div>Open Door Approach (OD) vs. Weighted Approach (W) *</div> <div>OD</div> </div>		

* Please type W into the cell B26 if the Working Group decides to use the Weighted Approach.

The WG may choose one of two approaches in assessing the impact of a given sector's vulnerability on the overall sectoral money laundering vulnerability, which further impacts the national money laundering vulnerability of the country.

- (1) The Weighted Average Approach: This straightforward approach calculates the overall sectoral money laundering vulnerability of a country on the basis of the weighted averages of the vulnerabilities of all the sectors assessed. As explained above, the weight reflects the impact of a particular sector on country's economy.
- (2) The Open Door Approach: This approach calculates the overall sectoral money laundering vulnerability of a country, not by focusing on weighted averages of sectors but rather on those sectors that are most vulnerable. It can perhaps best be illustrated by using the metaphor of a house. Suppose a building has ten doors (sectors), one of which is open. Using the Weighted Average Approach, the overall vulnerability of the building would end up as relatively low (10 percent). However, in practice, we know that one open door may make the building highly vulnerable. To take account of this, therefore, in determining overall sectoral money-laundering vulnerability, the Open Door Approach focuses on the sectors with higher vulnerability.

In the example in Figure 6, if the WG takes the Open Door Approach, the sectors with higher vulnerability (casinos, securities, and real estate) will have more impact on the national vulnerability. If the WG prefers the Weighted Average Approach, the sectors with a greater impact on country's economy (banking, money remitters, and exchange offices) will influence the national vulnerability more than the others.

The Open Door Approach has been chosen as the default option in the Excel file. Thus, the entry in cell B 26 is "OD" (see Figure 6). If you prefer the Weighted Average Approach, switch to the weighted average option by entering "W" in this cell.

In order to compare the outcomes of the two approaches, it is suggested that the Working Group try the Open Door Approach first and then try the Weighted Average Approach, working as follows. First, make the assessment using the Open Door Approach and save the file. Then create a copy of this file and change the option from "OD" to "W" in cell B 26, as discussed above. Save this file under another name. Compare the overall sectoral money laundering vulnerability using each option and decide which results make more sense. Whichever approach and result is finally chosen, the outcome must be supported with documentation of the underlying argument.

Step 4: Saving the entries

After sector entries are completed, save the entries by clicking the **Save the Original Case** icon on the Entry Page (Sectors) tab – as shown in Figure 7. This is an important step as the case needs to be saved before you can proceed. Otherwise, the output charts will not show the results of the assessment. (Bear in mind that this saves only your entries, not the file. You still have to save the Excel file to not lose your data.)

Figure 7: Icons on the Entry Page (Sectors) tab



Step 5: The outputs of the assessment

After the case has been saved, the Excel file automatically generates the outputs of the assessment. There are three outputs, which are captured in three separate tabs:

1. Output Charts,
2. Vulnerability Map (Network Diagram), and
3. Prioritization.

(1) Output Charts tab

The Output Charts tab shows the national money laundering vulnerability, the overall sectoral money laundering vulnerability, the national money laundering combating ability (Figure 8.a), the vulnerability of each of the assessed sectors (Figure 8.b.) and the assessment results for intermediate variables such as Quality of Criminal Investigation (Figure 8.a) in a visual format. For output charts, click on the **Output Charts** icon in the Entry Page (Sectors) tab to view the assessment results (as shown in Figure 7).

The sector vulnerability chart shows the final vulnerability score for each of the sectors assessed. The final vulnerability score is calculated after taking into account the impact of AML controls. The more effective and comprehensive the AML controls, the lower the vulnerability of the sector.

Figure 8.a: Output charts – Vulnerability and Combating Ability

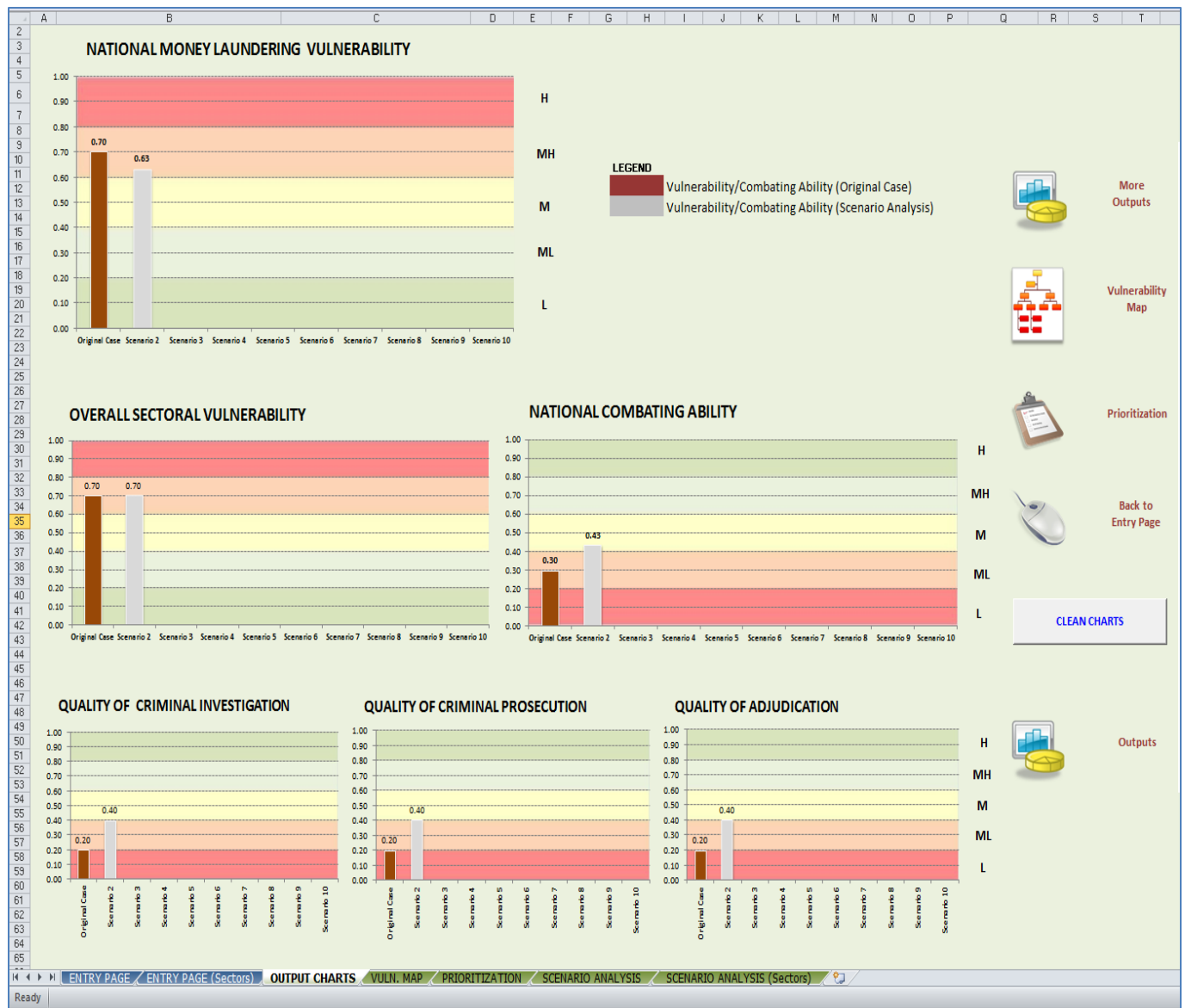
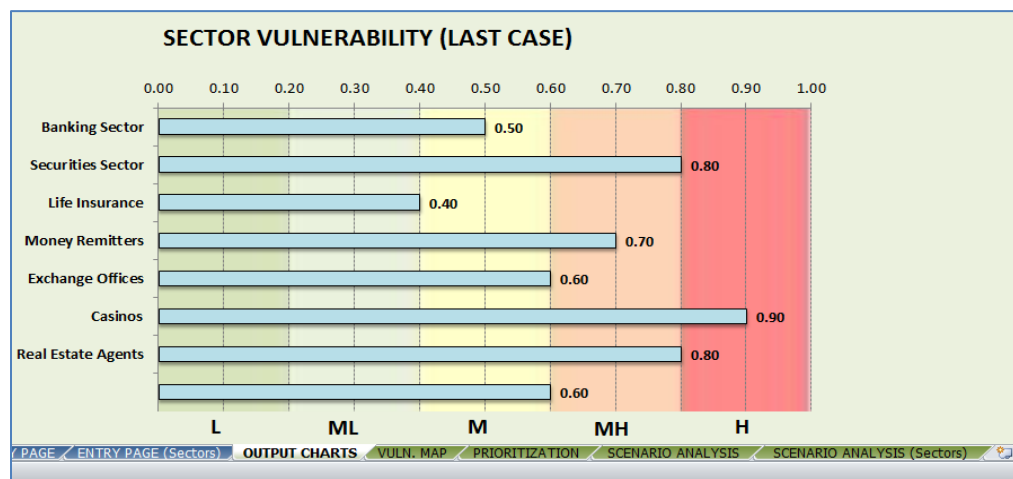


Figure 8.b: Output charts – Sectors



For the sector vulnerability, the national money laundering vulnerability, and the overall sectoral money laundering vulnerability charts, a higher score implies a higher vulnerability to ML. Similarly a higher overall sectoral money laundering vulnerability increases the national money laundering vulnerability of the country.

On the other hand, for national money laundering combating ability and intermediate variables that relate to ML combating ability/AML controls (such as *Quality of Criminal Investigation*, *Quality of Asset Forfeiture Framework*, *Quality of CDD Framework*), a higher score indicates a higher ML combating ability, which lowers the national money laundering vulnerability.

For vulnerability-related charts, a lower score is indicated by shades of green, implying lower ML vulnerability. On the other hand, for national money laundering combating ability and intermediate variables related to AML controls, a lower score is indicated by shades of red, implying a lower combating ability, and hence higher ML vulnerability.



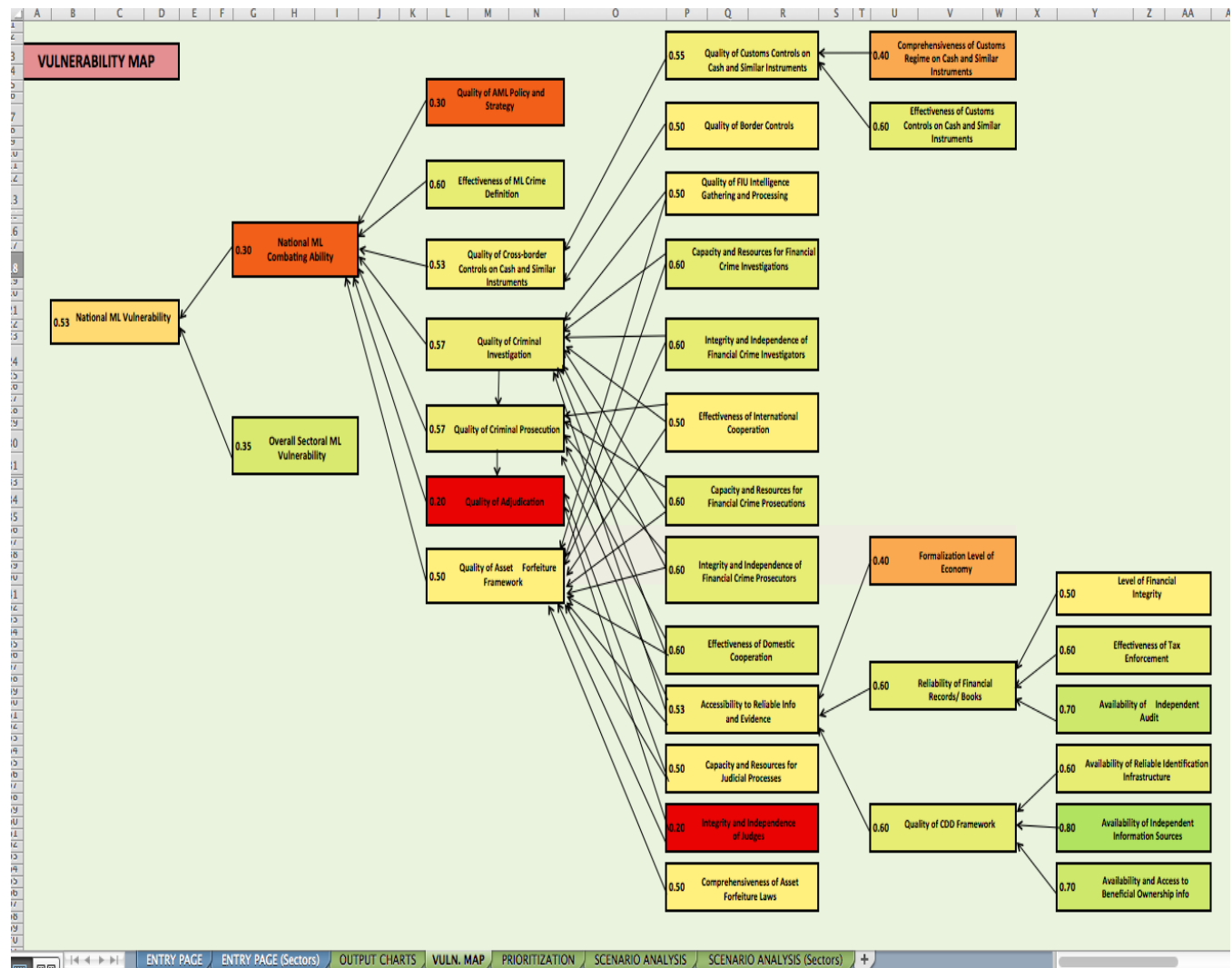
- Please pay attention to the names and colors of the inputs and outputs while interpreting the scores.
- When the reference is to “vulnerability,” a low score is desired; therefore low corresponds to green and high corresponds to red.
- When the reference is to “controls” or related inputs, a high score, which means better controls, is desired. Therefore, for control-related inputs and outputs, high corresponds to green and low corresponds to red.

(2) Vulnerability Map tab

Vulnerability Map is a visual summary of the assessment, which shows how the assessment inputs cause impact on the outputs. To view the vulnerability map, click on the **Vulnerability Map** icon on the Entry Page (Sectors) tab (as shown in Figure 7). This tab provides a visual summary of the assessment ratings of all the variables (see Figure 9). Note that the vulnerability map shows the network diagram for the assigned assessment ratings of input variables/national ML combating ability factors, and the corresponding

assessment results of the intermediate variables, which impact the combating ability of the country to ML and it also shows the impact of overall sectoral vulnerability and national combating ability on the national money laundering vulnerability of the country.

Figure 9: Vulnerability Map



(3) Prioritization tab

A priority ranking can be generated to help guide relevant authorities to prioritize actions to strengthen national ML combating ability factors/AML controls in the country and to prioritize the assessed sectors. Click the **Prioritization** icon in the Entry Page (Sectors) tab (Figure 7) or in the Output Charts tab (Figure 8.a) to go to the Prioritization tab. The tables in the Prioritization tab rank the input variables (AML controls)/sectors with respect to their impact on the national ML vulnerability (see Figure 10.a and Figure 10.b).

Figure 10.a: Prioritization table for input variables

A		D
PRIORITY RANKING FOR INPUT VARIABLES/NATIONAL ML COMBATING ABILITY FACTORS - LAST CASE/SCENARIO*		PRIORITY RANKING**
81		
82	Quality of AML Policy and Strategy	1
83	Effectiveness of ML Crime Definition	2
84	Comprehensiveness of Asset Forfeiture Laws	10
85	Quality of FIU Intelligence Gathering and Processing	11
86	Capacity and Resources for Financial Crime Investigations (incl. AF)	3
87	Integrity and Independence of Financial Crime Investigators (incl. AF)	5
88	Capacity and Resources for Financial Crime Prosecutions (incl. AF)	6
89	Integrity and Independence of Financial Crime Prosecutors (incl. AF)	7
90	Capacity and Resources for Judicial Processes (incl. AF)	8
91	Integrity and Independence of Judges (incl. AF)	4
92	Quality of Border Controls	18
93	Comprehensiveness of Customs Regime on Cash and Similar Instruments	17
94	Effectiveness of Customs Controls on Cash and Similar Instruments	15
95	Effectiveness of Domestic Cooperation	14
96	Effectiveness of International Cooperation	12
97	Formalization Level of Economy	9
98	Level of Financial Integrity	19
99	Effectiveness of Tax Enforcement	16
00	Availability of Independent Audit	
01	Availability of Reliable Identification Infrastructure	13
02	Availability of Independent Information Sources	
03	Availability and Access to Beneficial Ownership Information	
04		
05		

Figure 10.b: Prioritization table for sectors

PRIORITY RANKING AMONG SECTORS - LAST CASE/SCENARIO*	PRIORITY RANKING**
Banking Sector	
Securities Sector	4
Life Insurance	8
Money Remitters	2
Exchange Offices	
Casinos	6
Real Estate Agents	5
Lawyers	6
TCSPs	1
Accountants	3



- A low number, highlighted in a darker color/dark red, signifies that the input variable/sector merits a high priority in the action plan.
- A high number, highlighted in a lighter red (or pink) means that the corresponding input variable/sector still has severe deficiencies and is in the priority list, although it has less priority than the ones with darker colors.
- A blank cell (in light blue) indicates that the corresponding input variable/sector does not have priority. There may still be deficiencies related to variable/sector, but these are not severe and do not require urgent action.

For example, in Figure 10.a, the input variable *Quality of AML Policy and Strategy* has a priority ranking of one, implying that mitigating the deficiency related to this variable is the first item at the top of the priority list. Similarly, in Figure 10.b, the sector TCSPs has a priority ranking of one. The prioritization table's results should be used as a starting point for developing action plans.

Please note that the variable that has the lowest rating in the Entry Page tab may not have the highest priority rating in most cases. Priority rankings do not necessarily run parallel with the ratings in the Entry Page tab. Sometimes an item that is rated as medium may turn out to have the highest priority. Such results are fully consistent with the logic of the tool, as the assessment rating is just one of the four factors that have an impact on priority ranking. As previously explained, the other three factors are:

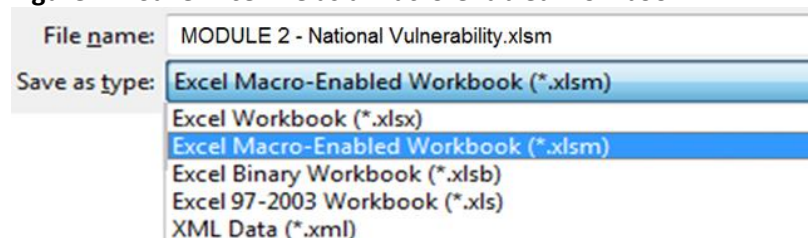
- The network structure of the module
- The weights of the input and intermediate variables
- The defined conditions (pre-requisites) for intermediate variables.

The national money laundering vulnerability and the overall sectoral money laundering vulnerability will vary, depending on whether an Open Door Approach or a Weighted Average Approach is taken. All the outputs/assessment results relating to the national combating ability factors, however, will remain the same in both approaches, as will the priority ranking for the input variables and the sectors.

Step 6: Saving the file

Save the file. It is important to save the file as a macro-enabled workbook (as shown in Figure 11). If it is not saved as a macro-enabled workbook, the macros will be disabled and the Excel file will not function properly.

Figure 11: Save Excel file as a macro-enabled workbook



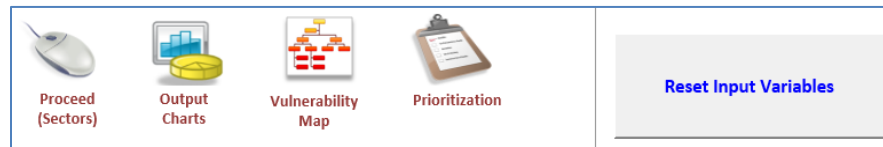
Changing entries after the original case has been saved

If any changes have been made to the original case entries, remember to save those entries by clicking on the **Save the Original Case** icon on the Entry Page (Sectors) tab (see Figure 7). The assessment outputs will not reflect the changes unless the entries have been saved.

Erase all the entries and restart the process

Click the **Reset Sector Entries** icon on the Entry Page (Sectors) tab (Figure 7), and click the **Reset Input Variables** icon on the Entry Page tab (Figure 12) to erase all the previous entries. Also click the **Clean Charts** icon on the Output Charts tab (Figure 8.a) to erase the previous entries on the Output Charts tab.

Figure 12: Icons on the Entry Page tab



Step 7: Using the Excel file for scenario analysis (optional)

The Excel file can also be used for scenario analysis. It can be used either for comparing the national money laundering vulnerability over a period of time, or for observing and analyzing the effects of various policy options, based on scenarios. For example, it is possible to see what impact policy actions (individually or collectively) may have on reducing vulnerability.

Similarly, the assessment ratings for input variables/national ML combating ability factors, national money laundering vulnerability, overall sectoral money laundering vulnerability, national money laundering combating ability, outputs/assessment results for intermediate variables, sectors' final ML vulnerability and priority ranking for the input variables and sectors for different years or scenarios can all be compared using the scenario analysis option.

It is also possible to use the scenario analysis function for comparing the results of Open Door and Weighted Average Approaches.

Instructions for using the scenario analysis option

To use the scenario analysis option, first be sure to save the Excel file with the original entries, and then create a new copy of the file for scenario analysis. Then go to the Entry Page tab, and make sure you do not reset the entries. Insert the new assessment ratings for the input variables/sectors for the second year or for Scenario 2, in the Entry Page tab/Entry Page (Sectors) tab and save the entries by clicking the **Scenario 2** icon.

As in Step 5, assessment results are generated in the Output Charts tab. Note that in a scenario analysis, the original case results are shown in brown while all Scenario 2/second year results are shown in gray (see Figure 8.a). Scenario analysis can be performed for 10 years, or for 10 different scenarios. During the scenario analysis, the sector vulnerability assessment results in the output page will reflect the last scenario (Figure 8.b).

Scenario analysis results – screen display

The Scenario Analysis and Scenario Analysis (Sectors) tabs provide the assessment results for the different years or scenarios (Figures 13 and 14). The Scenario Analysis tab shows the assigned assessment ratings for the input variables/national ML combating ability factors, the assessment results of intermediate variables, the national money laundering vulnerability, the overall sectoral money laundering vulnerability, the national money laundering combating ability and the priority rankings for input variables/national ML combating ability factors for the various years/scenarios. The Scenario Analysis (Sectors) tab shows the final vulnerability of different sectors and the priority rankings for sectors for the various years/scenarios. These tables are helpful in understanding where changes in the national money laundering vulnerability originate, as well as the impact of policy actions on vulnerability, the combating ability/AML controls, the sector vulnerability, and the priority ranking of input variables and sectors. The tables show how policy actions have an impact on the various components of vulnerability over a period of time, or in different scenarios.

Figure 13: Scenario Analysis tab

	Original Case	Scenario 2	Scenario 3	Scenario 4	Scenario 5
INPUT VARIABLES/NATIONAL ML COMBATING ABILITY FACTORS					
Quality of AML Policy and Strategy	0.8	0.8	0.8		
Effectiveness of ML Crime Definition	0.7	0.7	0.7		
Comprehensiveness of Asset Forfeiture Laws	0.3	0.7	0.7		
Quality of FIU Intelligence Gathering and Processing	0.7	0.7	0.7		
Capacity and Resources for Financial Crime Investigations (incl. AF)	0.5	0.5	0.9		
Integrity and Independence of Financial Crime Investigators (incl. AF)	0.5	0.5	0.8		
Capacity and Resources for Financial Crime Prosecutions (incl. AF)	0.4	0.4	0.7		
Integrity and Independence of Financial Crime Prosecutors (incl. AF)	0.1	0.7	0.7		
Capacity and Resources for Judicial Processes (incl. AF)	0.8	0.8	0.8		
Integrity and Independence of Judges (incl. AF)	0.3	0.3	0.7		
Quality of Border Controls	0.3	0.3	0.7		
Comprehensiveness of Customs Regime on Cash and Similar Instruments	0.6	0.6	0.6		
Effectiveness of Customs Controls on Cash and Similar Instruments	0.2	0.7	0.7		
Effectiveness of Domestic Cooperation	0.7	0.7	0.7		
Effectiveness of International Cooperation	0.6	0.6	0.6		
Formalization Level of Economy	0.4	0.4	0.7		
Level of Financial Integrity	0.5	0.5	0.8		
Effectiveness of Tax Enforcement	0.2	0.5	0.8		
Availability of Independent Audit	0.6	0.6	0.7		
Availability of Reliable Identification Infrastructure	0.2	0.7	0.7		
Availability of Independent Information Sources	0.9	0.9	0.9		
Availability and Access to Beneficial Ownership Information	0.6	0.6	0.6		
OUTPUTS/ASSESSMENT RESULTS FOR INTERMEDIATE VARIABLES					
National Money Laundering Vulnerability	0.75	0.57	0.54		
National Money Laundering Combating Ability	0.35	0.50	0.70		
Overall Sectoral Money Laundering Vulnerability	0.85	0.65	0.78		
Quality of Cross-border Controls on Cash and Similar Instruments	0.20	0.55	0.68		
Quality of Customs Controls on Cash and Similar Instruments	0.20	0.68	0.68		
Quality of Criminal Investigation	0.48	0.50	0.74		
Quality of Criminal Prosecution	0.10	0.40	0.69		
Quality of Adjudication	0.10	0.30	0.69		
Quality of Asset Forfeiture Framework	0.30	0.50	0.69		
Accessibility to Reliable Information and Evidence	0.31	0.51	0.69		
Reliability of Financial Records/ Books	0.34	0.52	0.78		
Quality of CDD Framework	0.20	0.60	0.60		
PRIORITY RANKING FOR INPUT VARIABLES/NATIONAL ML COMBATING ABILITY FACTORS					
Quality of AML Policy and Strategy					
Effectiveness of ML Crime Definition					
Comprehensiveness of Asset Forfeiture Laws	6				
Quality of FIU Intelligence Gathering and Processing					
Capacity and Resources for Financial Crime Investigations (incl. AF)	2	1			
Integrity and Independence of Financial Crime Investigators (incl. AF)	3	2			
Capacity and Resources for Financial Crime Prosecutions (incl. AF)	4	3			
Integrity and Independence of Financial Crime Prosecutors (incl. AF)	1				
Capacity and Resources for Judicial Processes (incl. AF)					
Integrity and Independence of Judges (incl. AF)	5	4			
Quality of Border Controls	12	8			
Comprehensiveness of Customs Regime on Cash and Similar Instruments	16	12	3		
Effectiveness of Customs Controls on Cash and Similar Instruments	8				
Effectiveness of Domestic Cooperation					
Effectiveness of International Cooperation	13	9	2		
Formalization Level of Economy	9	5			
Level of Financial Integrity	14	10			
Effectiveness of Tax Enforcement	9	6			
Availability of Independent Audit	15	11			
Availability of Reliable Identification Infrastructure	7				
Availability of Independent Information Sources					
Availability and Access to Beneficial Ownership Information	11	7	1		

Figure 14: Scenario Analysis (Sectors) tab

	B	E	F	G	H	I	J
2	SECTORS	Original Case		Scenario 2		Scenario 3	
3		Sector Final ML Vulnerability	Priority Ranking Among Sectors	Sector Final ML Vulnerability	Priority Ranking Among Sectors	Sector Final ML Vulnerability	Priority Ranking Among Sectors
5	Banking Sector	0.20		0.20		0.75	1
6	Securities Sector	0.80	4	0.50	5	0.50	7
7	Life Insurance	0.60	8	0.60	8	0.60	9
8	Money Remitters	0.50	2	0.50	2	0.50	3
9	Exchange Offices	0.30		0.30		0.30	
10	Casinos	0.65	6	0.65	6	0.80	6
11	Real Estate Agents	0.45	5	0.45	4	0.45	5
12	Lawyers	0.35	6	0.35	6	0.35	8
13	TCSPs	0.90	1	0.45	1	0.45	2
14	Accountants	0.65	3	0.65	3	0.75	4
15							
16							
17	<div> <div>ENTRY PAGE</div> <div>ENTRY PAGE (Sectors)</div> <div>OUTPUT CHARTS</div> <div>VULN. MAP</div> <div>PRIORITIZATION</div> <div>SCENARIO ANALYSIS</div> <div>SCENARIO ANALYSIS (Sectors)</div> </div>						

How to “unhide” the Weights tab

The default weights of the variables and pre-requisites of the intermediate variables reflect the assumptions that underlie the module. In the default version of the Excel file, the weights, the defined pre-requisites cannot be changed by users, but can be viewed. These weights can be revealed by clicking the **Weights tab**. To reveal the Weights tab, select any tab, right click on the name of the tab, and click the **Unhide** option. When the Unhide window opens, click on the **Weights** option and press **OK**. Note that the Weights tab is protected and no changes can be made to this sheet. Contact the World Bank NRA Team if changes to the weights and pre-requisites are required.

In Figure 15, Column B shows the weights for the variables in the Excel file. The weights assigned to the variables are relative. For example, the *Quality of Cross-border Controls on Cash and Similar Instruments (No.2.3.)*, which is an intermediate variable, is determined by two variables:

- *Quality of Customs Controls on Cash and Similar Instruments (No.2.3.1)*
- *Quality of Border Controls (No.2.3.2).*

The weights on these two variables in determining the *Quality of Cross-border Controls on Cash and Similar Instruments (No.2.3)* are relative to one another, as follows. The weight of the variable *Quality of Customs Controls on Cash and Similar Instruments (No.2.3.1)* is twice that of the variable *Quality of Border Controls (No.2.3.2)*.

The defined pre-requisites for the intermediate variables are shown in Column C (see Figure 15). If a variable has a weight of 1 assigned to it in Column C, then it is a pre-requisite. For example, for the variable *Quality of Customs Controls on Cash and Similar Instruments (No.2.3.1)*, the variable *Effectiveness of Customs Controls on Cash and Similar Instruments (No.2.3.1.2)* is a pre-requisite. This means that the variable *Quality of Customs Controls on Cash and Similar Instruments (No.2.3.1)* cannot be better than the variable *Effectiveness of Customs Controls on Cash and Similar Instruments (No.2.3.1.2)*. In other words, the score of the lower-level variable defines a cap on the score of the higher-level variable.

Please refer to power point presentation on “The Logic behind the Tool” for further information on how the weights and pre-requisites plays role in the assessment.

There are two different versions of the National Vulnerability Excel file: a generic version and a version modified for financial centers. The difference lies in the weights and pre-requisites they contain. For example, international cooperation has a higher weight in the second version, as most of the money laundering cases in financial centers will require close international cooperation.

Figure 15: Weights tab (of the generic version)

NOTICE! Data on this page contains the assumptions of the module and can be edited only by Authorized Users		
NATIONAL ML VULNERABILITY	WEIGHTS	PREREQUISITES
1. OVERALL SECTORAL ML VULNERABILITY	1	
Your entries in "ENTRY PAGE (Sectors)" tab will be transferred here automatically.		0
		0
		0
		0
		0
		0
		0
2. NATIONAL ML COMBATING ABILITY	1	
2.1. Quality of AML Policy and Strategy	2	1
2.2. Effectiveness of ML Crime Definition	1	1
2.3. Quality of Cross-border Controls on Cash and Similar Instruments	1	0
2.3.1. Quality of Customs Controls on Cash and Similar Instruments	2	1
2.3.1.1. Comprehensiveness of Customs Regime on Cash and Similar Instruments	1	0
2.3.1.2. Effectiveness of Customs Controls on Cash and Similar Instruments	3	1
2.3.2. Quality of Border Controls	1	0
2.4. Quality of Criminal Investigation	4	0
2.4.1. Quality of FIU Intelligence Gathering and Processing	3	0
2.4.2. Capacity and Resources for Financial Crime Investigations (incl. AF)	4	1
2.4.3. Integrity and Independence of Financial Crime Investigators (incl. AF)	4	1
2.4.4. Capacity and Resources for Financial Crime Prosecutions (incl. AF)	2	0
2.4.5. Integrity and Independence of Financial Crime Prosecutors (incl. AF)	2	0
2.4.6. Effectiveness of Domestic Cooperation	2	0
2.4.7. Effectiveness of International Cooperation	2	0
2.4.8. Accessibility to Reliable Information and Evidence	4	0
2.4.8.1. Formalization Level of Economy	2	0
2.4.8.2. Reliability of Financial Records/ Books	2	0
2.4.8.2.1. Level of Financial Integrity	1	0
2.4.8.2.2. Effectiveness of Tax Enforcement	3	0
2.4.8.2.3. Availability of Independent Audit	1	0
2.4.8.3. Quality of CDD Framework	2	0
2.4.8.3.1. Availability of Reliable Identification Infrastructure	3	1
2.4.8.3.2. Availability of Independent Information Sources	1	0
2.4.8.3.3. Availability and Access to Beneficial Ownership information	3	1
2.5. Quality of Criminal Prosecution	4	0
2.5.1. Quality of Criminal Investigation	3	1
2.5.2. Capacity and Resources for Financial Crime Prosecutions (incl. AF)	4	1
2.5.3. Integrity and Independence of Financial Crime Prosecutors (incl. AF)	4	1
2.5.4. Effectiveness of Domestic Cooperation	2	0
2.5.5. Effectiveness of International Cooperation	2	0
2.5.6. Accessibility to Reliable Information and Evidence	4	0
2.6. Quality of Adjudication	2	0
2.6.1. Capacity and Resources for Judicial Processes (incl. AF)	2	1
2.6.2. Integrity and Independence of Judges (incl. AF)	4	1
2.6.3. Quality of criminal prosecution	2	1
2.7. Quality of Asset Forfeiture Framework	2	0
2.7.1. Comprehensiveness of Asset Forfeiture Laws	4	1
2.7.2. Quality of FIU Intelligence Gathering and Processing	2	0
2.7.3. Capacity and Resources for Financial Crime Investigations (incl. AF)	4	1
2.7.4. Integrity and Independence of Financial Crime Investigators (incl. AF)	3	0
2.7.5. Capacity and Resources for Financial Crime Prosecutions (incl. AF)	4	0
2.7.6. Integrity and Independence of Financial Crime Prosecutors (incl. AF)	3	0
2.7.7. Capacity and Resources for Judicial Processes (incl. AF)	4	0
2.7.8. Integrity and Independence of Judges (incl. AF)	4	0
2.7.9. Effectiveness of Domestic Cooperation	2	0
2.7.10. Effectiveness of International Cooperation	1	0
2.7.11. Accessibility to Reliable Information and Evidence	4	1