

# NATIONAL RISK ASSESSMENT TOOL AND PROCESS

# NRA TOOL



# THE OBJECTIVES OF THE NRA TOOL

## The objectives of the tool are

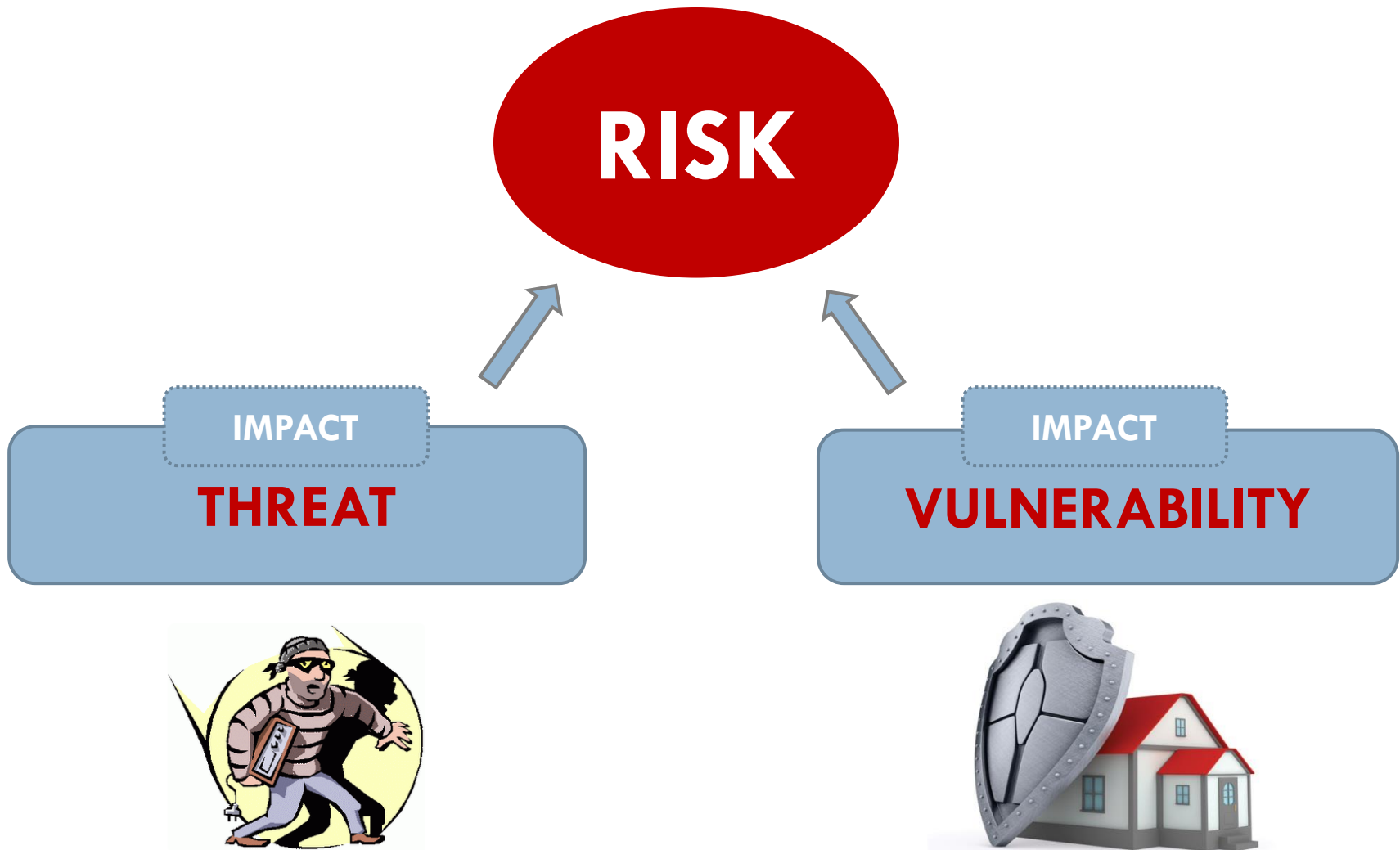
- To **guide** jurisdictions in assessing their ML/TF risks, in order to establish a **risk-based and a more effective AML/CFT regime**.
- To contribute **to capacity building** in the country, not only for assessing the ML/TF risks but also for improving the data and information collection framework and practices.
- To raise **awareness**, and trigger interaction and **cooperation** among the stakeholders both from governments and the private sector.

## Although the tool takes following factors into account, it is **NOT** an instrument for

- Drawing up a quantitative estimate of the size of the illicit economy or financial flows in the country,
- Assessing the risks of predicate offences (drug trafficking risk, fraud risk, corruption risk, etc.),
- Making cross-country comparisons of ML/TF risks.

# THE TOOL FOLLOWS THE DEFINITION OF ML/TF RISK

4



# MONEY LAUNDERING RISK\*

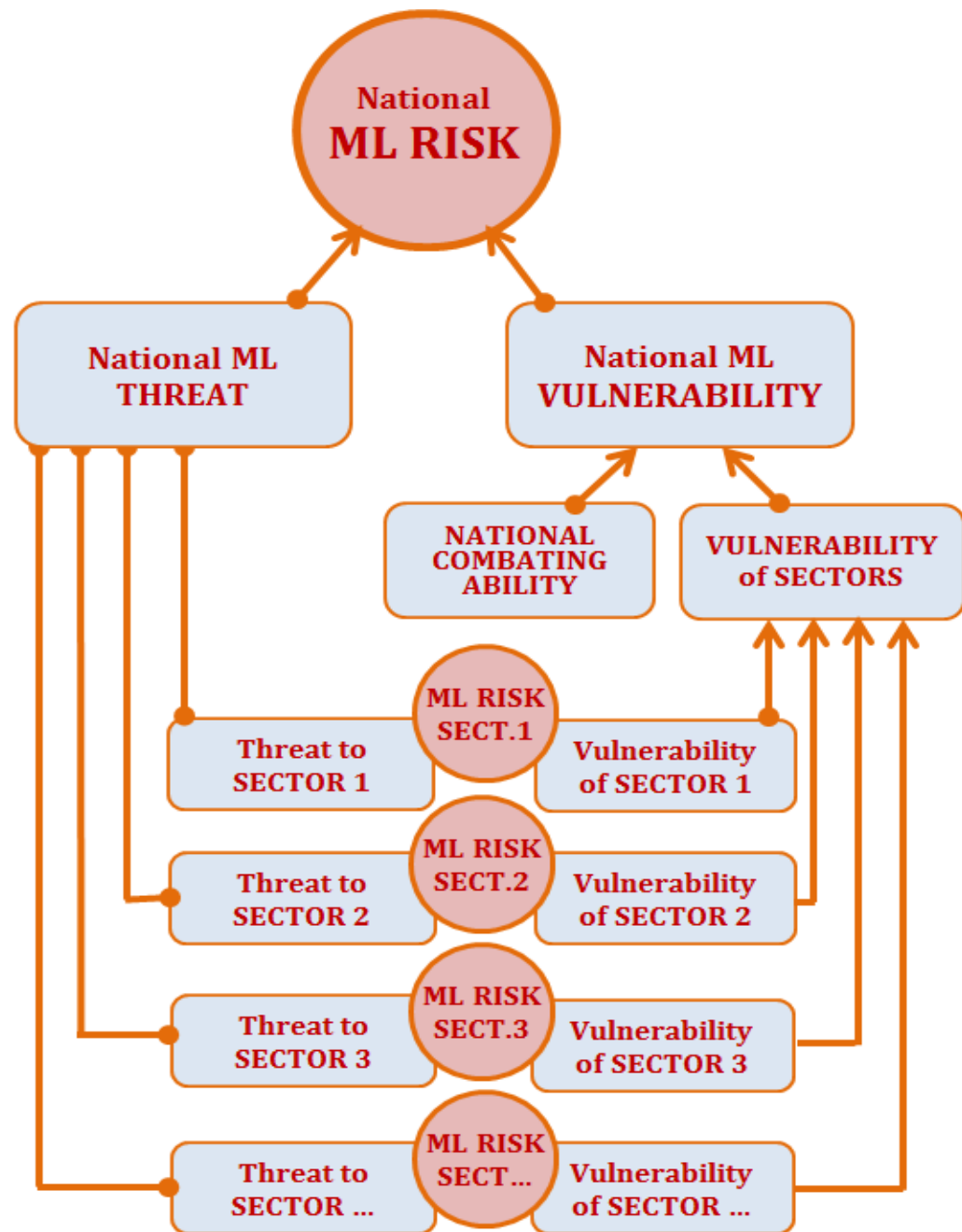
## at National Level

OVERALL MONEY LAUNDERING RISK IN THE JURISDICTION

OVERALL THREAT						
		H	MH	M	ML	L
H	M	M	MH	H	H	
MH	M	M	MH	MH	H	
M	ML	M	M	MH	MH	
ML	ML	ML	M	M	M	
L	L	ML	ML	M	M	
		L	ML	M	MH	H
		OVERALL VULNERABILITY				

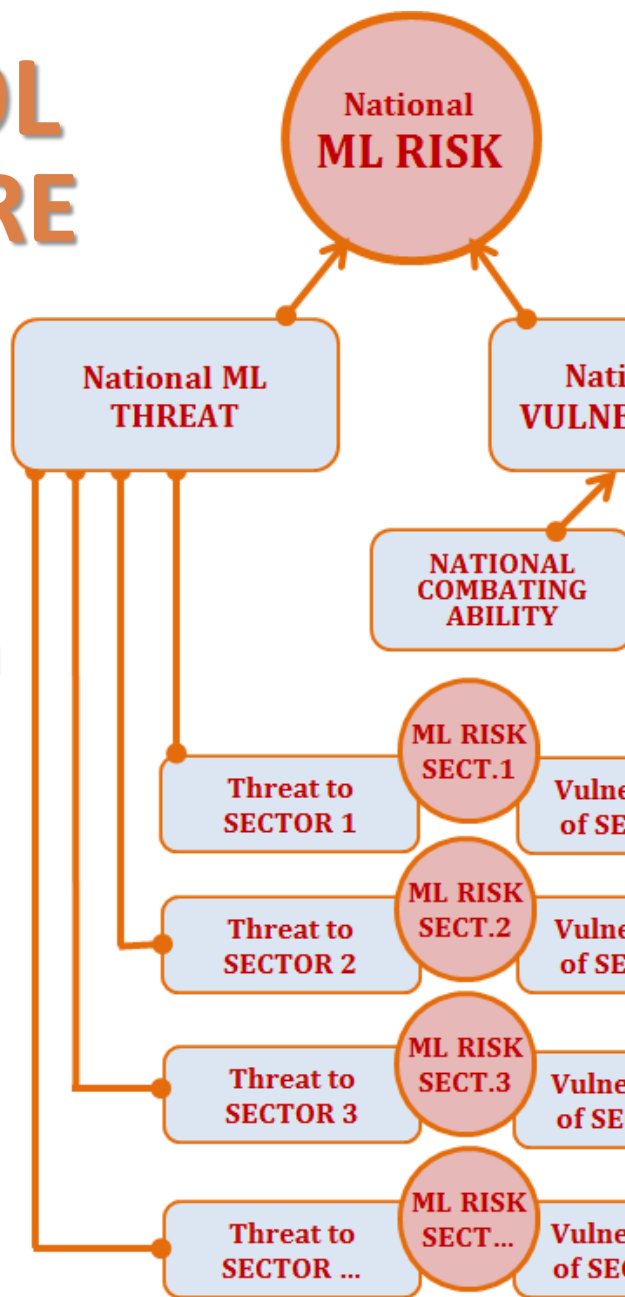
\*Same applies to TF risk.

# NRA TOOL STRUCTURE



# NRA TOOL STRUCTURE

Each building block includes a set of input variables that need to be assessed



## EXAMPLE: Effectiveness of Supervision

<b>Variable Description</b>	This variable assesses the effectiveness of AML supervisory procedures and practices for the banking sector. An effective supervisory regime is one that has a comprehensive legal and regulatory framework and is supported by appropriate powers and well resourced, and which employs risk-based approach to on-site and off-site monitoring and inspections.  (This variable does not assess the availability and enforcement of sanctions. Sanctions are assessed below as two separate variables on administrative and criminal sanctions.)
<b>Assessment Criteria</b>	The AML supervision procedures and practices are effective where the supervisory body (which can be a self-regulatory body): <ul style="list-style-type: none"> <li>Is clearly identified in the laws and regulations;</li> <li>Carries out its supervisory activities within a comprehensive supervisory framework which includes appropriate authority to enforce compliance measures;</li> <li>Possesses good understanding and appreciation for the AML risks of the banking sector;</li> <li>Has adequate resources to ensure AML compliance, including sufficient number of well-trained and skilled staff with knowledge and understanding of the nature of the firms and clients and the products/services of the banking sector;</li> <li>Carries out a comprehensive, risk-based supervisory program that consists of on-site and off-site monitoring and inspections on both regularly scheduled cycles and periodic spot-checks (risk based);</li> <li>Exercises moral suasion that has a significant impact on the banking sector's management and is sufficient to positively influence behavior patterns; and</li> <li>Can demonstrate that supervisory powers are exercised effectively and impartially.</li> </ul>
<b>Possible Information and Data Sources</b>	<ul style="list-style-type: none"> <li>Relevant laws and regulations, policies, procedures and staff manuals (including how the risk-based approach is determined);</li> <li>Statistics on the number of supervisory staff, and information on their training, knowledge and skills;</li> <li>Information on the type(s) and methods of monitoring undertaken and findings;</li> <li>Statistics on the number of banks actually inspected (on-site/off-site), and information as to scope, frequency and intensity of the inspections;</li> <li>Statistics and information on main findings of inspections (on-site/off-site);</li> <li>Interviews/consultations with supervisory authorities;</li> <li>Interviews/consultations with the banking sector's representatives, including professional bodies and voluntary associations;</li> <li>Surveys of management and staff of firms in the banking sector;</li> <li>Reports from Governments, International Organizations (e.g. FATF, FSRBs, IMF, World Bank), and other international standard setting bodies (e.g. Basel Committee on Banking Supervision);</li> <li>Reports from academia and/or civil society organizations (CSO)</li> </ul>
<b>Assessment</b>	Considering the above assessment criteria, rate the effectiveness of the supervisory framework and activities in the banking sector.

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



# Three parts of the tool

1

2

3

## **Money Laundering Risk Assessment**

Module 1- Threat Assessment  
Module 2- National Vulnerability  
Module 3- Banking Sector Vulnerability  
Module 4- Securities Sector Vulnerability  
Module 5- Insurance Sector Vulnerability  
Module 6- Other Fin. Inst. Vulnerability  
Module 7 - DNFBP Sectors Vulnerability

## **Terrorist Financing Risk Assessment**

Module 8 - National  
Terrorism Financing  
Threat & Vulnerability

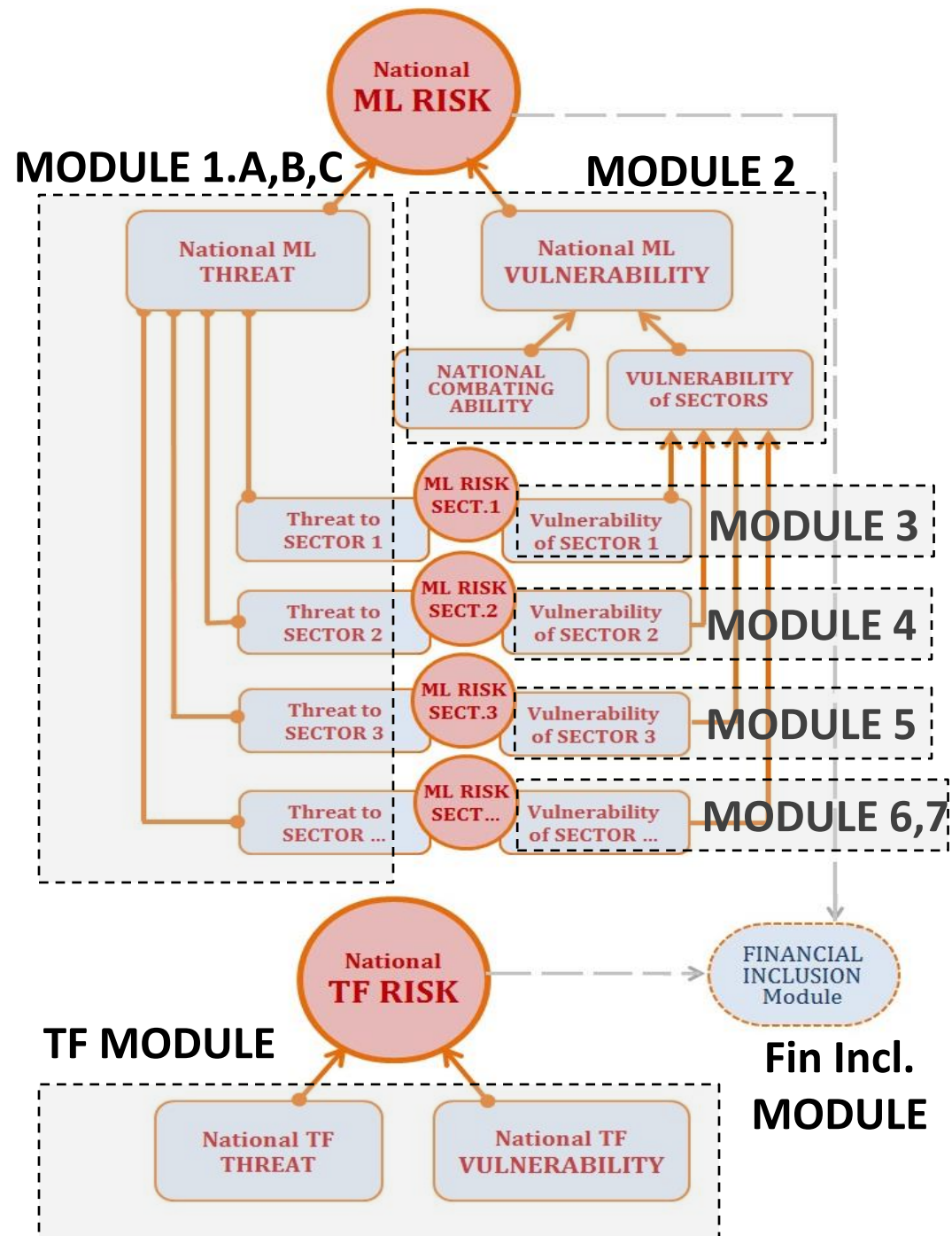
## **Financial Inclusion Prd. Risk Assessment**

Module 9 - Financial  
Inclusion Product Risk  
Assessment



# NRA MODULES

Each team  
will use a  
different  
module



# QUICK FACTS:

## The Tool

- ❑ A **diagnostic and decision-making tool** to inform the design of effective policies and prioritization of potential action.
- ❑ **Transparent and user-friendly.** All the formulas and built-in calculations can be viewed and followed by users.
- ❑ Focuses on **money laundering risks**. Includes an additional module for assessing terrorist financing risks.
- ❑ Can be **customized** to a country's economic context.
- ❑ Balances the use of **quantitative information** (data and statistics) and **qualitative information** (experience, anecdotal evidence, public or academic information, etc.)
- ❑ Allows **scenario analysis**, to see the effects of various policy options.

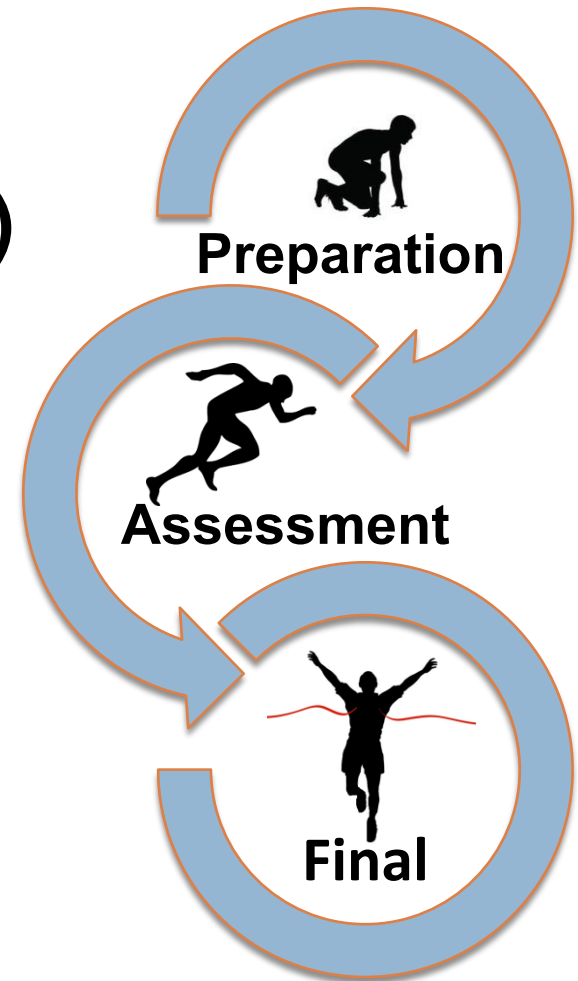
# DEMO

# NRA PROCESS

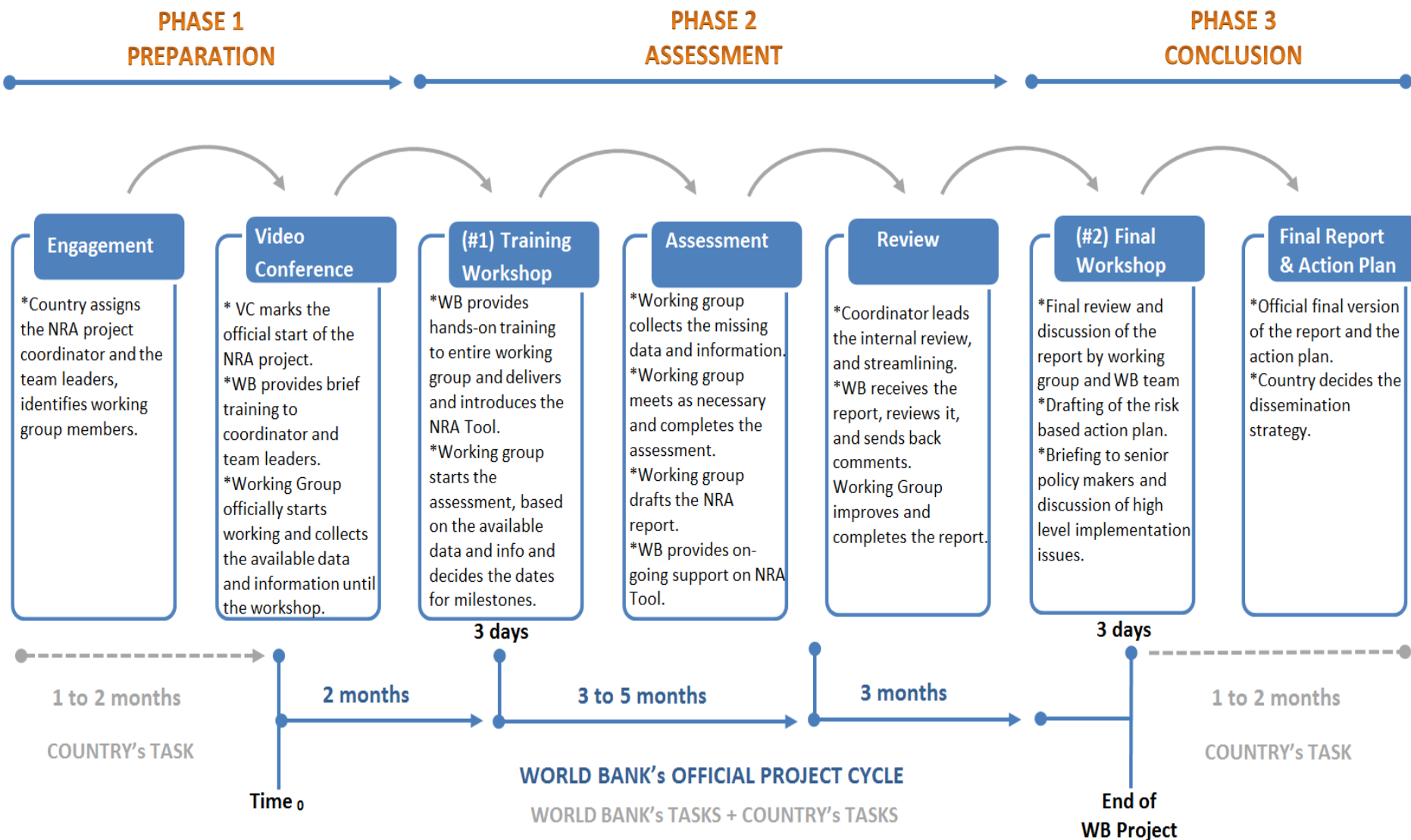


# WB NRA Process

- 3-phase program
- Duration (6 months to 1 year)
  - Phase #1: Preparation
  - Phase #2: Assessment
  - Phase #3: Finalization



# NRA Process and Official Project Cycle





# **PHASE 1**

## **Preparation**

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- **Country NRA Coordinator appointed**
- **Working Group Leaders & participants appointed**
- **Enable data and info-sharing for NRA**
- **Hold video Conference**
- **Start Data and Info Collection**
- **Circulate NRA documents**
- **Prepare for Training Workshop**



# PHASE 2

## Assessment

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- **Training Workshop: 3 days**
  - Understand NRA concepts
  - Introduce NRA tool
  - Generate & present initial assessment and findings
  - Adopt timetable and assign tasks
  - Identify info and data required to complete reports
- **Assessment, Drafting, and Review (6 Months)**
  - Collect additional data and info (research, interviews, surveys, etc.)
  - Hold Working Group meetings as needed
  - Finish the assessment
  - Draft NRA Report
  - Review NRA report and revise as needed





## **PHASE 3**

# **Final Workshop & Finalize NRA**

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- **3-day workshop**
- **Include senior/policy officials**
- **Conduct final review and fine-tune NRA results**
- **Discuss draft action plans addressing NRA outcomes**
- **Finalize NRA report and Action Plans**

# WB NRA Team provides:

- Assistance and support through entire NRA process
- Template tools, materials and 'hands' on training
- Feedback and suggestions for enhancing quality and objectivity of NRA report



# Outputs of NRA Process

- **NRA summary report:**
  - Areas of highest and lowest risk identified
  - Supporting data and narrative
- **Risk based action plan**
- **Working Papers (detailed records)**



# QUICK FACTS:

## The Process

- ❑ **Managed and owned by the countries themselves.** The World Bank's role is limited to providing technical support.
- ❑ **A capacity-building activity,** which aims to enable countries to undertake future risk assessments without external support.
- ❑ **An inclusive effort,** aiming to include all AML/CFT stakeholders from public and private sectors to bring in different perspectives and **encourage their cooperation.**
- ❑ Clear timetable set at the beginning of the process, ensuring completion of the NRA **within a reasonable timeframe** (generally 8-12 months).
- ❑ Helps authorities to identify **data and information gaps,** and to develop a framework for **future data collection.**
- ❑ **Cost-effective**

# QUESTIONS?

2  
1

