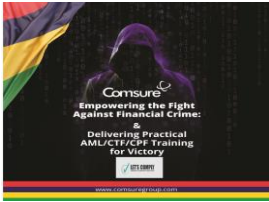


Sanjana Kissoondharry
Understanding Risk Assessment Methodologies
AUGUST 30 2024



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Risk Based Approach

- 🗺️ Countries should identify, assess and understand their ML, TF, and PF risks
- 🛡️ Take commensurate actions to ensure / implement risk-based measures
- ✅ Require FI and DNFBPs to identify, assess and understand their ML, TF and PF risks AND take effective action to mitigate these
- 🏢 Enables the FI / DNFBP make decisions on allocation of resources to mitigate risks
- 📈 Higher risks = enhanced measures

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Mauritius

5th Follow-up report (ESAAMLG)

16. Mauritius will remain in enhanced follow-up and will continue to inform the ESAAMLG of the progress made in improving the implementation of its AML/CFT effectiveness measures.

Horizontal lines for notes

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What can we learn from others? Jersey – MER 2024 (Moneyval)

Effectiveness Ratings

MLA - ML/TFM risk assessment	MLA - International cooperation	MLA - Supervision	MLA - Proactive measures	MLA - Legal process and enforcement	MLA - Mutual assistance
ME	ME	ME	ME	ME	ME
MLA - Moneyval & FinCEN	MLA - FATF	MLA - FATF Recommendations & processes	MLA - FATF guidance	MLA - FATF Mutual assistance	MLA - FATF Mutual assistance
ME	ME	ME	ME	ME	ME

Findings:

- Strong understanding of its ML/TF risks
- Thorough and in-depth analysis of the country's specific risks
- All necessary public stakeholders have been involved in the process
- Proactive engagement of the private sector for ML NRAs
- Extensively communicates the results of risk assessments to the private sector, and the private sector demonstrated a high level of awareness of the NRA findings

Recommended actions:

- Further consider potential risks associated with the provision of services by TGSFs and banks that may be associated with virtual assets
- Enhance future risk assessments with case studies / real life scenarios and good practices distinctive for IFCs to improve the public and private sector's ability to recognise different trends and methods in laundering proceeds of foreign tax crimes

Horizontal lines for notes

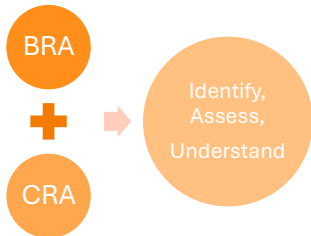
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In practice – Identifying risks



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Horizontal lines for notes

In practice – EDD

FIAMLA / FSC Handbook:

- a) requesting additional information on the customer and updating on a frequent basis the customer or the beneficial owner;
- b) obtaining additional information on the intended nature of the business relationship and the source of fund/wealth;
- c) obtaining information on the intended or performed transactions;
- d) obtaining the approval of senior management to commence or continue the business relationship;
- e) conducting close monitoring of the business relationship;
- f) any other measures a reporting person may undertake with relation to a high risk relationship.

- How effective is a professional reference letter when dealing with a PEP?
- What do you do when there is adverse media on the client / UBO?
- One size fits all OR case by case
- Understand the risks > apply enhanced measures adapted to the risk for effective mitigation

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In practice – Transaction Monitoring

- Live > supporting documents before transactions take place
- Focus on obtaining invoice / agreement / etc
- Post event
- Sanctions screening

- Does the transaction make sense
 - Commercial rationale
 - Unnecessarily complex
 - Unusually large
 - Documents make sense
- Post event:
 - Looking at trends
 - Identify patterns
 - Red flags
- Non-banking transactions



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Testing effectiveness

- 📄 Implement a programme to test and re-assess effectiveness of the Compliance controls
- 👥 Involvement from Senior Management / Board through reporting
- 📅 Action plan & action owners
- 🖥️ Monitor
- 🔄 Repeat

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Just theories?

In accordance with Regulation 31 of the FIAML Regulations 2018, any risk assessment systems used by the financial institution should be reviewed regularly to ensure an effective system is in place and actions should be taken to remedy any identified deficiencies. This is further discussed in Chapter 4.

The business risk assessments are designed to assist the financial institution in making such an assessment and provide a method by which the financial institution can identify the extent to which its business and its products and services are exposed to ML and TF. Good quality business risk assessments are therefore vital for ensuring that the financial institution's policies, procedures and controls are proportionate and targeted appropriately.

The FSC would expect a financial institution to avoid a tick box approach when assessing risks and consider each customer on a case by case basis or in group risk-rated buckets based on their profiles, looking at any risks they pose along with any mitigating factors. The customers

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Risk based approach



- Understand ML, TF, PF risks
- Improved decision making
- Adequate and appropriate risk mitigating controls > allocating resources efficiently
- Test, Reassess, Update

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RBA

Questions?

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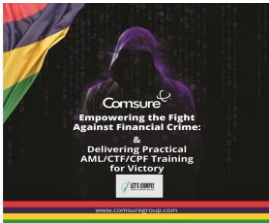
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