



NOVEMBER 13 & 14, 2014 - TORTOLA, BVI

CARIBBEAN REGIONAL COMPLIANCE ASSOCIATION

National Risk Assessment

Mr. Chernó S Jallow, QC
BVI Financial Services Commission

OVERVIEW

- **What is a National Risk Assessment (NRA)**
- **Purpose and Objective**
- **General Principles**
- **Why an NRA**
- **Consequences of not carrying out an NRA**
- **Stages of NRA**
- **The VI NRA Process**
- **What is Expected of FIs and DNFBPs**

What is a National Risk Assessment (NRA)?



Technical compliance Vs Effectiveness compliance

- **FATF Recommendation 1**
 - Identify, assess and understand ML/TF risks
 - Designate authority(ies) to coordinate actions to assess risk
 - Apply sufficient resources to effectively mitigate risks
 - Apply risk-based approach to preventative measures
 - Ensure AML/CFT regime adequately addresses high risk areas
- In essence, NRA is a process of identifying areas of risk relative to the prevention and mitigation of ML, TF & PF and applying resources in an efficient way so that the greatest risks receive greater attention

Purpose and Objective of NRA



- Identify ML and TF methods
- Determine how often ML and TF methods are used
- Determine how effective the ML and TF methods are in moving illicit funds into and out of the country
- Determine gaps in the AML/CFT systems and controls
- Devise national strategy to address identified weaknesses in the AML/CFT system, including the proper allocation of resources

General Principles of NRA (Encompassing the RBA)



- **CAs, FIs and DNFBPs to ensure that measures in place to prevent or mitigate ML/TF risks are commensurate with identified risks**
- **Processes to identify, assess, monitor, manage and mitigate ML/TF risks should be in place for all FIs and DNFBPs (the legal framework)**
- **Where there are higher risks, FIs and DNFBPs should take enhanced measures (ECDD) to mitigate those risks (quantifying risk – high/low)**
- **ML/TF risks should be identified and assessed on an ongoing basis to respond to changed circumstances**

General Principles of NRA (Encompassing the RBA) – Cont'd



- Supervisors should ensure FIs and DNFBPs are effectively implementing their risk assessment obligations, review the adequacy of ML/TF risk profiles prepared by FIs and DNFBPs, and have and exercise relevant enforcement powers in cases of non-compliance
- Nature and extent of assessment should be appropriate to nature and size of business

Why Conduct an NRA?



- To be able to determine the risks associated with, or risk levels of, the business carried out in the country
- To determine appropriate safeguards to put in place to minimize/mitigate identified risks
- To identify areas of greatest risk and channel more resources to those areas to mitigate the risk (efficiency in resource allocation)
- To protect the security, reputation and other interest of the country

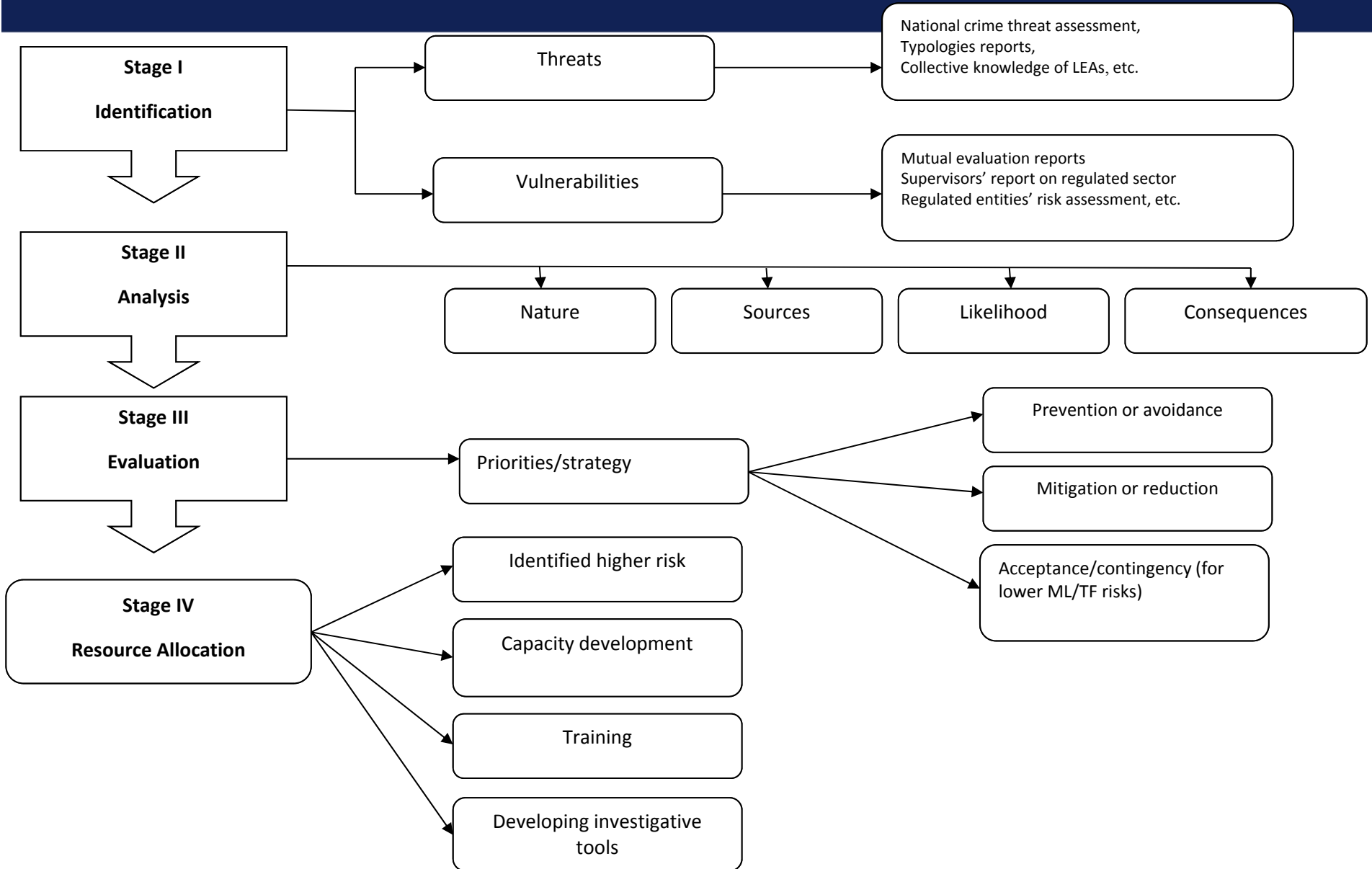
Consequences of not Carrying out an NRA



Failure to conduct an NRA may result in:

- **Lack of full awareness of ML/TF risks**
- **Inability to prioritise resources to mitigate effectively against risks**
- **Proliferation of ML and TF activities which are not detected**
- **Failing an assessment (ME)**
 - **Damage to the reputation of the country**
 - **Loss of business, etc.**

Stages of NRA





- **Policy development**
 - Policy paper
 - Cabinet approval
 - NRA Framework
- **Governance structure**
 - NRAC
 - NRASG
 - PEC
 - CC
 - Assessors (Teams)
 - External Assessor
 - Report Examiners
 - Secretariat

The VI NRA Process - Cont'd

- **Conducting the NRA**
 - Time frames involved
 - Pre-Assessment Questionnaires (purpose and objective)
 - Onsite Assessment Questionnaires
 - Risk rating matrices
 - Report preparation & finalisation
 - Submission of Report to Cabinet
 - Publication of Report
 - Commencement of the reform process

What is Expected of FIs and DNFBPs



- **Risk assess your business, customers, operations, systems, etc.**
- **Develop and have in place appropriate policies, controls and procedures that enable you to effectively manage and mitigate identified risks**
- **Monitor the implementation of your internal control measures and enhance them as necessary to adequately respond to threats and vulnerabilities**
- **Ensure senior management involvement in the development and implementation of AML/CFT policies and procedures**

What is Expected of FIs and DNFBS – Cont'd



- **Ensure that measures taken to manage and mitigate risks are:**
 - **Commensurate with the nature, size, complexity, etc. of your business; and**
 - **Consistent with national requirements (i.e. ensure they comply with the law and are effective)**



THANK YOU!

ANY QUESTIONS?



BVI FINANCIAL SERVICES COMMISSION

284-494-4190



CRCACONFERENCE.COM