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Secretariat for Multidimensional Security

**XLIII MEETING OF THE GROUP OF EXPERTS FOR THE CONTROL OF MONEY  
LAUNDERING  
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**STUDY ON RISK ANALYSIS ASSOCIATED MONEY LAUNDERING AND TERRORIST  
FINANCING ACCORDING TO THE FATF RECOMMENDATIONS: STANDARDIZING CONCEPTS IN  
THE AREA OF RISK**

**Study on Risk Analysis associated Money Laundering and Terrorist Financing According to the  
FATF Recommendations: Standardizing Concepts in the area of Risk**

Executive Report

**ORGANIZATION OF AMERICAN STATES  
SECRETARIAT FOR MULTIDIMENSIONAL SECURITY  
EXPERTS GROUP FOR THE CONTROL OF MONEY LAUNDERING–GELAVEX-**

Sub-Working Group on Financial Intelligence Units and Criminal Investigation Agencies

**DOMINICAN REPUBLIC, SEPTEMBER 2016**

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## Background

In accordance with 2015-2016 Work Plan of the Experts Group for the Control of Money Laundering (GELAVEX), the Sub-Working Group on Financial Intelligence Units and Criminal Investigation Agencies (FIU/OIC) agreed to “develop a study on risk analysis associated with ML/TF that would allow for the standardization of concepts regarding risks according to the FATF recommendations”.

To achieve this objective, at the meeting celebrated in Lima, Peru in november of 2015, a decision was made to create a working group of at least four delegations, which, along with the coordinators of the sub-working group and the Technical Secretariat, would present at the May 2016 meeting in Washington DC, a diagnostic and a work proposal. At the May meeting in Washington DC, they reported on the progress of their work and they discussed that would actually be achieved in terms of a product, since some delegations understood that this would be a work matrix and others referred to the need for the development of a common methodology. Upon reviewing the mandate, delegations finally agreed to perform a “study on risk analysis associated with ML/TF that would allow for the standardization of concepts regarding risks.”

In line with what was agreed, a proposal will be presented for the standardization of concepts, based on the interventions of delegations at the last meeting. This proposal also would also take into account the FAFT bibliography.<sup>1</sup>

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<sup>1</sup> “*National Money Laundering and Terrorism Financing Risk Assessment*”, FATF GUIDANCE, February 2013. Available online at [http://www.fatf-gafi.org/media/fatf/content/images/National\\_ML\\_TF\\_Risk\\_Assessment.pdf](http://www.fatf-gafi.org/media/fatf/content/images/National_ML_TF_Risk_Assessment.pdf)

**Objectives:****General:**

The standardization of the concepts used in reference to risk analysis, so that when this issue is discussed during meetings or joint analyses, all the countries use the same terminology, thereby facilitating understanding and coordination.

**Specifics:**

Achieve a foundation of standardized concepts approved by GELAVEX, which help to advance future studies on this issue.

### **Expected Results:**

1.- Standardization of the concepts most relevant to risk analysis:

Threat

Vulnerability

Impact or consequence

2.- Discussion within the GELAVEX of these concepts so that they can be approved and used by all the Member States.

### **Products to be developed:**

A list of concepts which enjoy consensus among the Member States of GELAVEX.

### **Methodology:**

1.- Review of the minutes of past GELAVEX meetings (Lima, Perú and Washington DC) to be clear on what the vision of the Group is regarding risk analysis and from what sources where they assigned for review.

2.- Reading of the *“National Money Laundering and Terrorist Financing Risk Assessment”* document developed by FATF, in which are the risk analysis concepts to be standardized.

3.- Drafting of the concepts mandated by the Group and the reading of the cited FATF document.

## **Deliverable:**

### **Proposal of standardized concepts**

Risk: as presented at the last meeting in Washington DC by the delegation of Uruguay and the background collected by the sub-working group, risk contains three factors: threat, vulnerability and impact. Therefore, to know what the risk is in a determined context, the threats, vulnerabilities and their impact should be known.

Threat: can be conceptualized as a person or group whose actions can cause damage to a particular State. This damage can occur through the commission of common crimes, through terrorism, through criminal facilitation or the insertion of illicit funds into a country's financial system.

Establishing which are the specific threats is the starting point for the function: threats, vulnerability and impact, through which the risks can be established and confronted.

By analyzing of which crimes are committed with greater frequency in the Member States, and what is done with the product (money) obtained through those crimes, one can obtain the first input toward knowing their risks.

Vulnerability: factors that can be exploited or used by a person or persons engaged in activities considered to be threats. Vulnerability is an answer to the questions: Which aspects of the state system are used or usable by those who represent a threat to the country or region? In this regard, the answer could be the banking system, the tax system, the currency exchange system, etc.

For example, as was discussed in the May 2016 meeting in Washington DC, land borders are vulnerable since they are difficult to control with regard to trafficking in persons and objects, and even more so, money.

Today, a vulnerability is the use of various technologies which cannot be intercepted during communications, since this complicates investigations and the transactions of illicit money.

Another vulnerability is the means of payment through virtual currencies, and generally, the use of the Dark web, where it becomes difficult to trace illicit operations.

Impact or consequence: is understood to be the damage that results from the combination of threat and vulnerability. These can be generalized within the social or economic system, etc. or specific to certain sectors. An example of this is illicit funds produced by drug trafficking (Threat) flowing into the formal financial system due to banks noncompliance with obligations to inform the prevention system of suspicious operations (Vulnerability).

## Conclusions

A proposal is made to standardize the basic concepts on which to continue future work on risk analysis. By accepting these concepts as a basis for the future work of the GELAVEX, future studies in this field could be implemented with the understanding that they are in accordance with the criteria of GELAVEX and the guidelines of FATF, a basic step toward establishing an efficient structure for the prevention of money laundering and terrorist financing.