





European Notarial Network seminar on the implementation of European requirements of the money laundering and terrorist financing prevention and personal data protection

18 May 2018 Vilnius, Lithuania

ECONOMIC ANALYSIS: AML FRAMEWORK AND CONSIDERATIONS ON SOME ASSESSMENT INDICATORS

Antonio Cappiello



cnn.acappiello@notariato.it International Office of the Consiglio Nazionale del Notariato



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Norway

Portugal*

Russian Federation

Singapore

South Africa

Spain*

Sweden

Switzerland

Turkey

United Kingdom

United States

35 + 2 regional *CNUE member (9) Bold: EU members (13)









INTERNATIONAL STANDARDS
ON COMBATING MONEY LAUNDERING
AND THE FINANCING OF
TERRORISM & PROLIFERATION

The FATF Recommendations

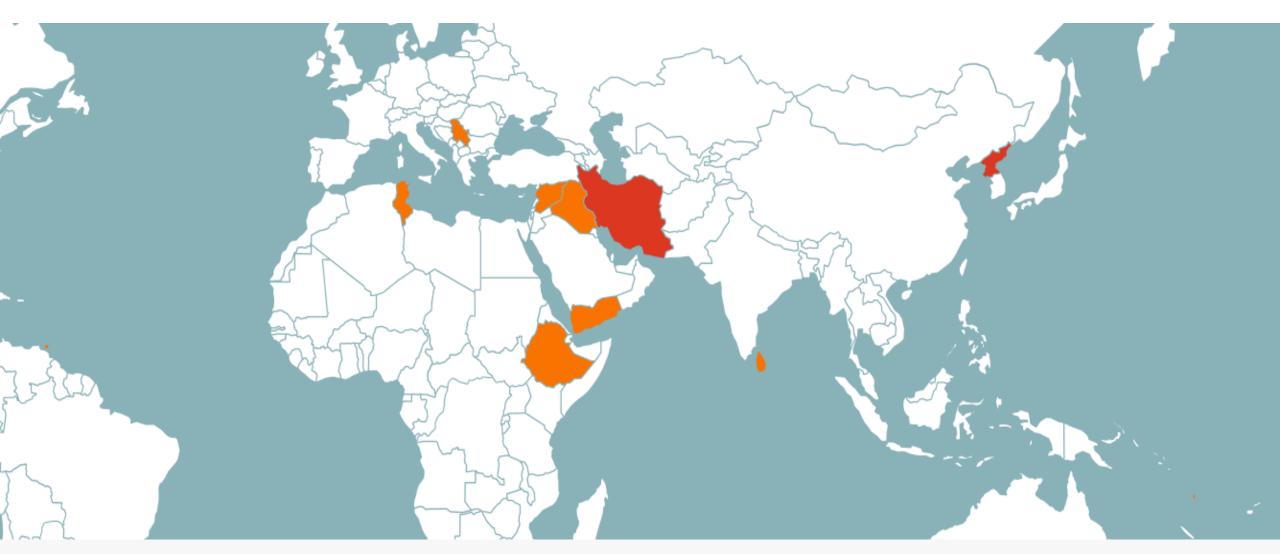


Methodology

FOR ASSESSING TECHNICAL
COMPLIANCE WITH THE FATF
RECOMMENDATIONS AND THE
EFFECTIVENESS OF AML/CFT SYSTEMS



High-risk and other monitored jurisdictions:







Software eSign For the Souspicius Transactions Reporting



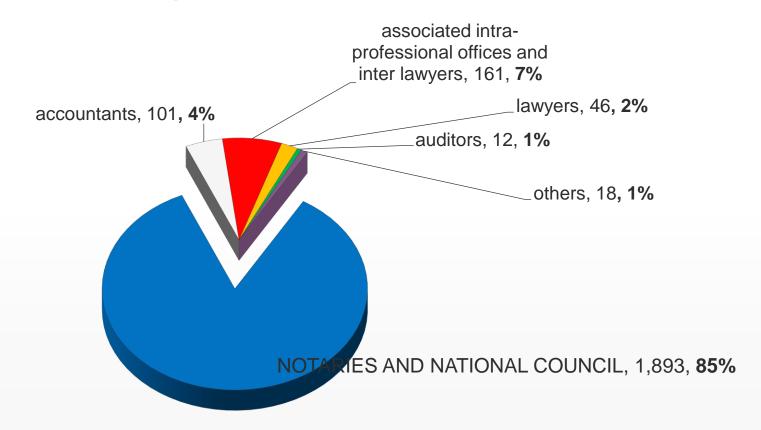




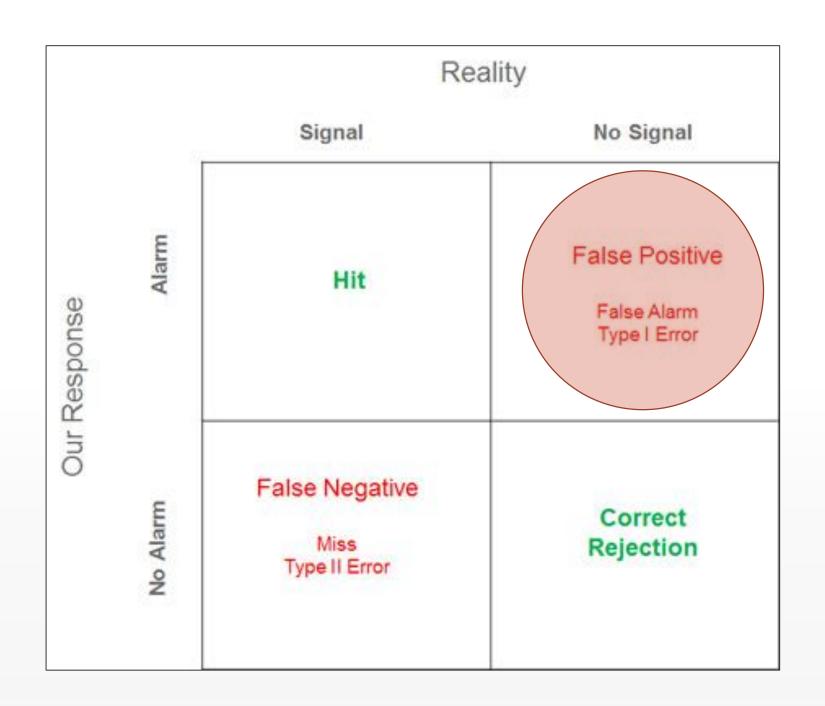


Notaries and STR in Italy

Anti-Money Laundering (AML) – number of suspicious transaction reports (STRs) / 1st semester 2017

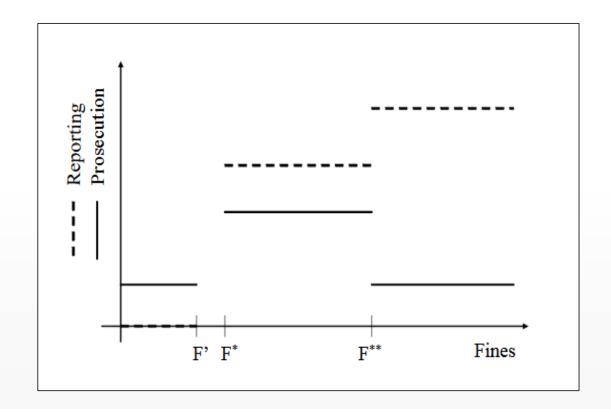


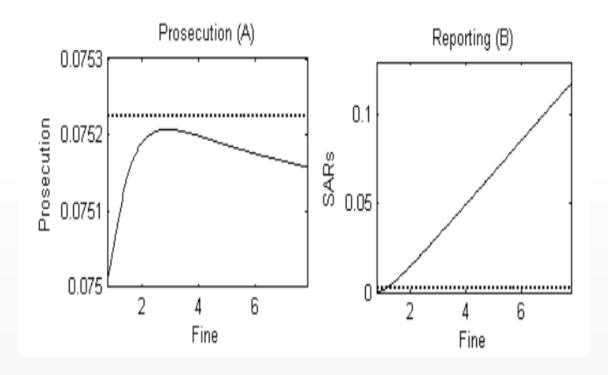






	Money Laundering $(lpha)$	Legal Transaction $(1-lpha)$
Low Signal (0)	$1-\delta$	δ
High Signal (1)	δ	$1-\delta$





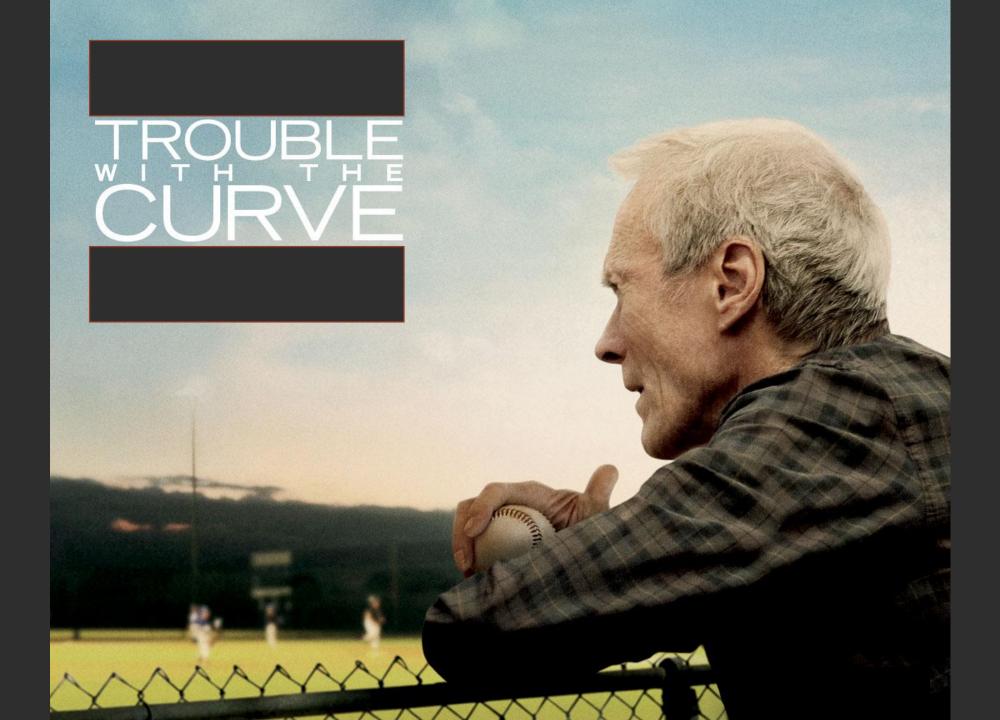


STRs crying laundering



[FALSE POSITIVE]







In economic terms in order to make a AML violation not profitable the EV (expected value) from the violation should be ≤ 0

Let's assume π(aml)= profits from non complying with AML policy

p= probability of getting fined

F= fine

in order to dissuade risk adverse (or risk neutral) FI or DNFPs we should have for the considered transactions their $EV \leq 0$

$$\sum_{i}^{n} \pi_{i} - Fp > 0$$



$$EV = \sum_{i=1}^{n} (\pi_i - F)p + \pi_i (1 - p) \le 0$$

$$\sum_{i} \pi_{i} p - Fp + \pi_{i} - \pi_{i} p \leq 0$$

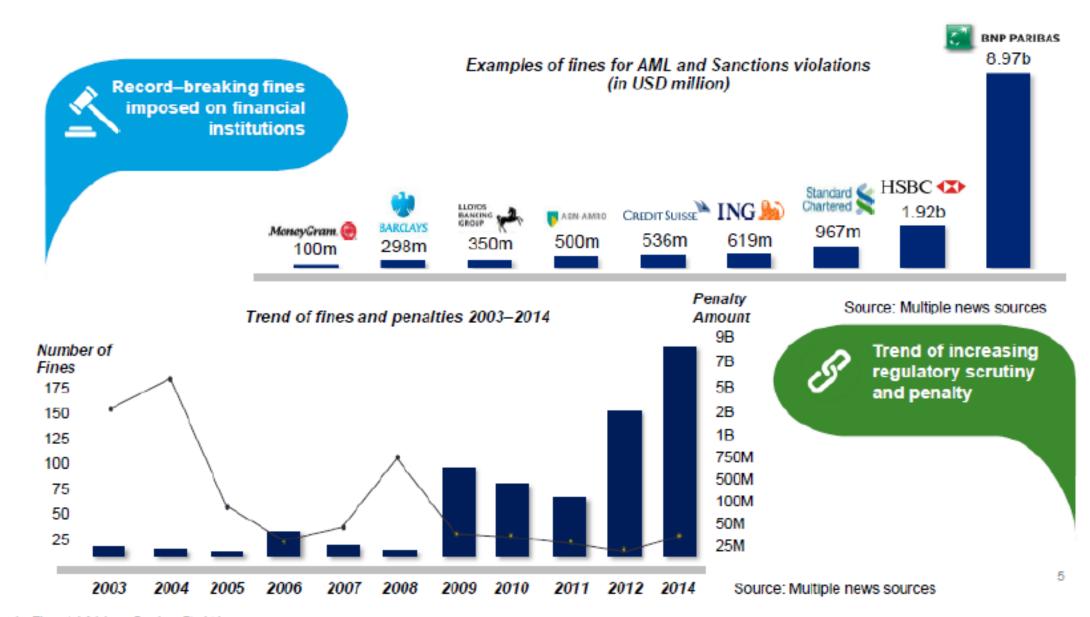
$$n$$

$$\sum_{i}^{n} \pi_{i} - Fp \leq 0 \qquad Fp \geq \sum_{i}^{n} \pi_{i} \qquad F \geq \sum_{i}^{n} \pi_{i} \frac{1}{p}$$



$$F \ge \sum_{i}^{n} \pi_{i} \frac{1}{p}$$







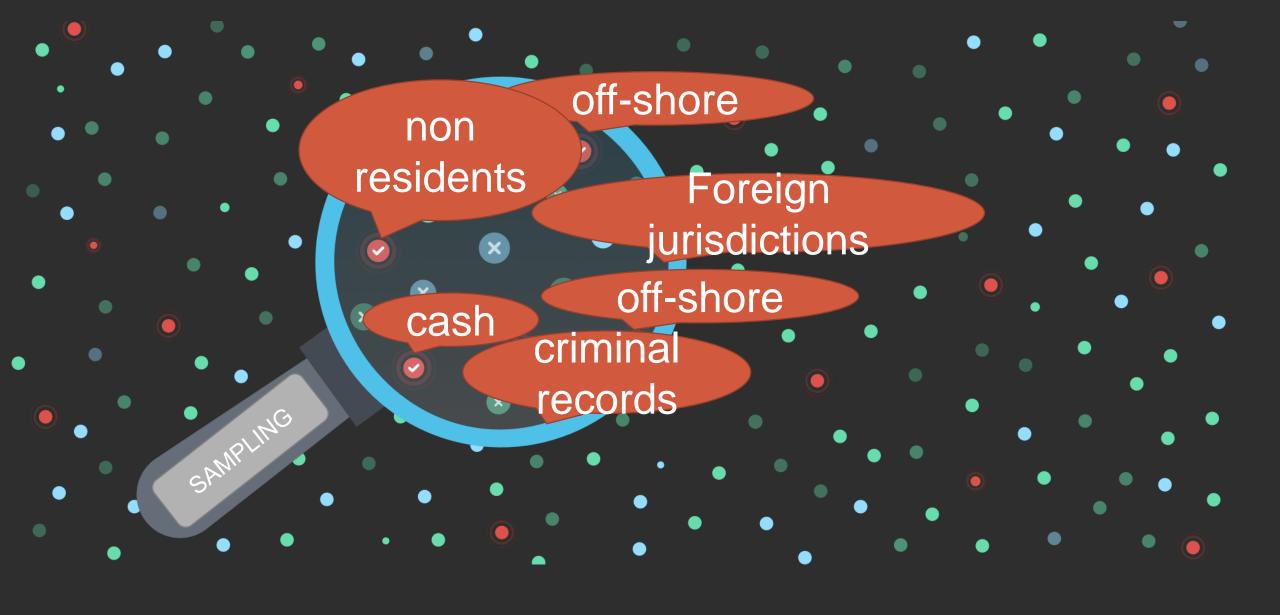
In Italy the Financial Police Force selects a sample for inspection/controls

Selecting a sample: main criteria

- Operations with high unit amount
- Operations/professional services with off-shore countries
- Clients with criminal records
- Frequent use of cash
- Nonresident clients (or clients who do not operate in the operational zone of the professional)







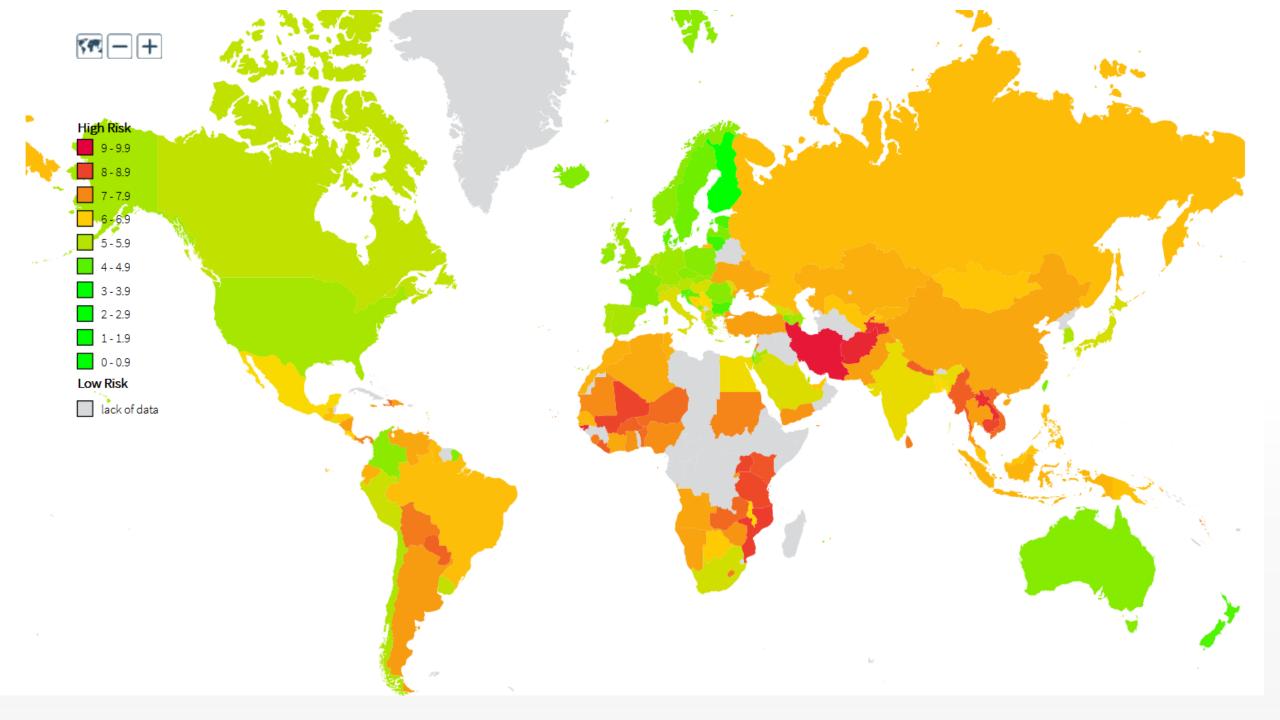
Sample for controls and inspections



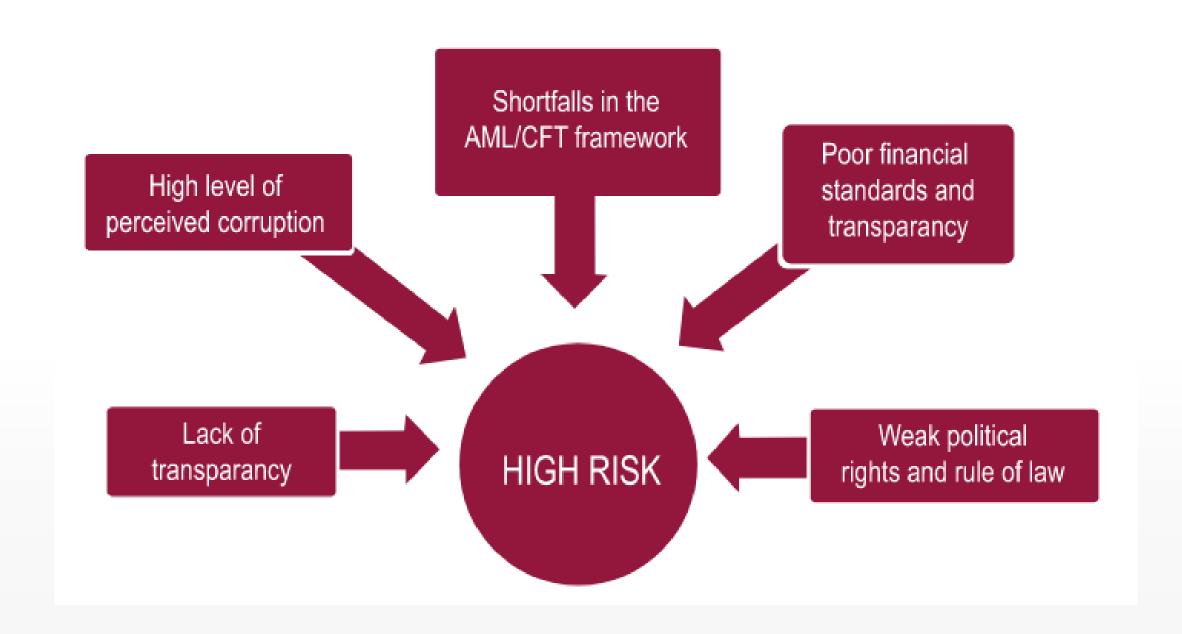


How to assess the Country Risk? ...and where does a country stand?



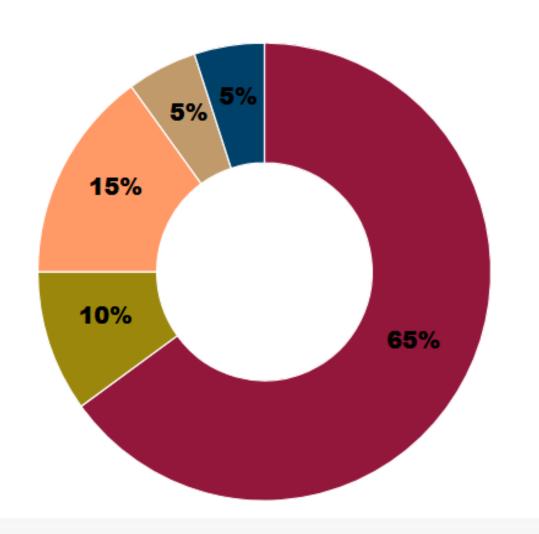








- Money laundering/ Terrorist Financing Risk
- Corruption Risk
- Financial Transparency & Standards
- Public Transparency & Accountability
- Political & Legal Risk





Basel AML Index - composition of source

Money Laundering/Terrorist Financing Risk	FATF Recommendations TJN - Financial Secrecy Index US INCSR - Volumn II on Money Laundering	
Corruption Risk	TJN - Financial Secrecy Index	
Financial Transparency & Standards	WB Doing Business - Corporate Transparency WEF GCR – Strength of auditing & reporting WEF GCR – Regulation of securities WB IDA IRAI – Financial Sector	
Public Transparency & Accountability	Int. Idea – Political Finance Database IBP – Open Budget Index WB IDA IRAI – Transparency, Account & Corrupti	ion
Political & Legal Risk	FH – Press Freedom & Freedom in the World WEF GCR – Institutional Strength WJP – Rule of Law	



Country	\$	Ranking	Overall Score	\$	Risk	\$	^
Iran		1	8.6				
Afghanistan		2	8.38				
Guinea-Bissau		3	8.35				
Tajikistan		4	8.28				
Laos		5	8.28				
Mozambique		6	8.08				
Mali		7	7.97				
Uganda*		8	7.95				
Cambodia		9	7.94				
Tanzania		10	7.89				
Kenya		11	7.72				
Liberia		12	7.62				
Myanmar		13	7.58				
Nepal		14	7.57				
Burkina Faso		15	7.54				
Paraguay		16	7.53				
Haiti		17	7.5				~

^{*:} Overall score based on a new FATF evaluation, which includes an effectiveness assessment.



EATE rating	Re As	101 1	O2 I	103	104 10)5 IC	6 107	IO8	109	1010 10	11 K.	1 R.2	R.3	R.4	R.5	R.6	R.7	R.8	R.9 F	R.10 F	R.11 R	R.12 R.	13 R.1	4 R.15	R.16	R.17	R.18 F	R.19 R	.20 R.2	1 R.22	R.23	R.24	R.25 F	R.26 R.	27 R.2	8 R.29	R.30	R.31 R.
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How can we transform FATF *I-O* and *R* assessment in an index?



Compliant

Largely compliant - There are only minor shortcomings.

Partially compliant - There are moderate shortcomings.

Non-compliant - There are major shortcomings.

Not applicable - A requirement does not apply, due to the structural, legal or institutional features of the country.

 $-\sum_{1}^{n} x 2 df$





Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism

Home

MONEYVAL in brief ▼

Mutual Evaluations -

Jurisdictions

Activities ▼ Implementation

Restricted website

You are here: Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism > Jurisdictions

Lithuania



Follow-up round on-site visit: 23-28 April 2012

	Status	Date	Public document
Evaluation report	Adopted (40th Plenary)	05/12/2012	Summary Report
Exit follow up report	Adopted (54th Plenary)	20/09/2017	Note by the Secretariat



Overall, it is the view of the MONEYVAL Secretariat that **Lithuania** has taken sufficient steps to remedy deficiencies under core and key recommendations rated PC.

Consequently, the Secretariat considers that Lithuania fulfils the conditions under Rule 13, paragraph 4 for removal from the follow-up process



$$C_c = \sum_{i}^{n} IO_i + \sum_{i}^{n} R_i$$

define a numerical range i= score [range 0 – full coverage]



$$\sum_{1}^{n} R_{DNFBPS}$$

for FATF Recommendations compliance



<u>Imme</u>	diate Outcomes
IO1	Money laundering and terrorist financing risks are understood and, where appropriate, actions co-ordinated domestically to combat money laundering and the financing of terrorism and proliferation.
102	International co-operation delivers appropriate information, financial intelligence, and evidence, and facilitates action against criminals and their assets.
103	Supervisors appropriately supervise, monitor and regulate financial institutions and DNFBPs for compliance with AML/CFT requirements commensurate with their risks.
104	Financial institutions and DNFBPs adequately apply AML/CFT preventive measures commensurate with their risks, and report suspicious transactions.
105	Legal persons and arrangements are prevented from misuse for money laundering or terrorist financing, and information on their beneficial ownership is available to competent authorities without impediments.
	Money laundering offences and activities are investigated and offenders are prosecuted and subject to effective, proportionate and dissuasive sanctions.
•••	
IO11	Persons and entities involved in the proliferation of weapons of mass destruction are prevented from raising, moving and using funds, consistent with the relevant UNSCRs.



R.1	Assessing Risks and Applying a Risk-Based Approach
R.9	Financial institution secrecy laws
R.10	Customer due diligence
R.11	Record keeping
R.12	Politically exposed persons
•••	
R.19	Higher-risk countries
R.20	Reporting of suspicious transactions
R.21	Tipping-off and confidentiality
R.22	DNFBPs: Customer due diligence
R.23	DNFBPs: Other measures
R.24	Transparency and beneficial ownership of legal persons
R.25	Transparency and beneficial ownership of legal arrangements
•••	
	Powers and Responsibilities of Competent Authorities and Other Institutional Measures
R.28	Regulation and supervision of DNFBPs
•••	
R.30	Responsibilities of law enforcement and investigative authorities
R.31	Powers of law enforcement and investigative authorities



DNFBPs mean	DNFBPs median	io+r DNFBPs mean	io+ r DNFBPs median	standard d	
29,50	30,00	34,38	34,00	3,70	CNUE *
25,40	25,00	29,80	31,00	4,08	Europe
23,33	24,50	26,33	27,00	6,77	Central America
23,80	23,00	27,40	26,00	5,81	Caribbean
23,90	23,50	26,90	25,00	7,75	Asia
					North and
22,25	21,00	25,63	24,50	5,93	Central
					America
20,00	20,00	22,75	24,00	3,30	Oceania
19,00	19,00	23,50	23,50	2,12	North America
17,00	21,00	17,40	21,00	9,56	Africa

^{*}Includes Lithuania imputed values on the basis of the MONEYVAL report 2017



$$\Phi\left(I_{i}\right) = \frac{S_{i}}{N-1}$$

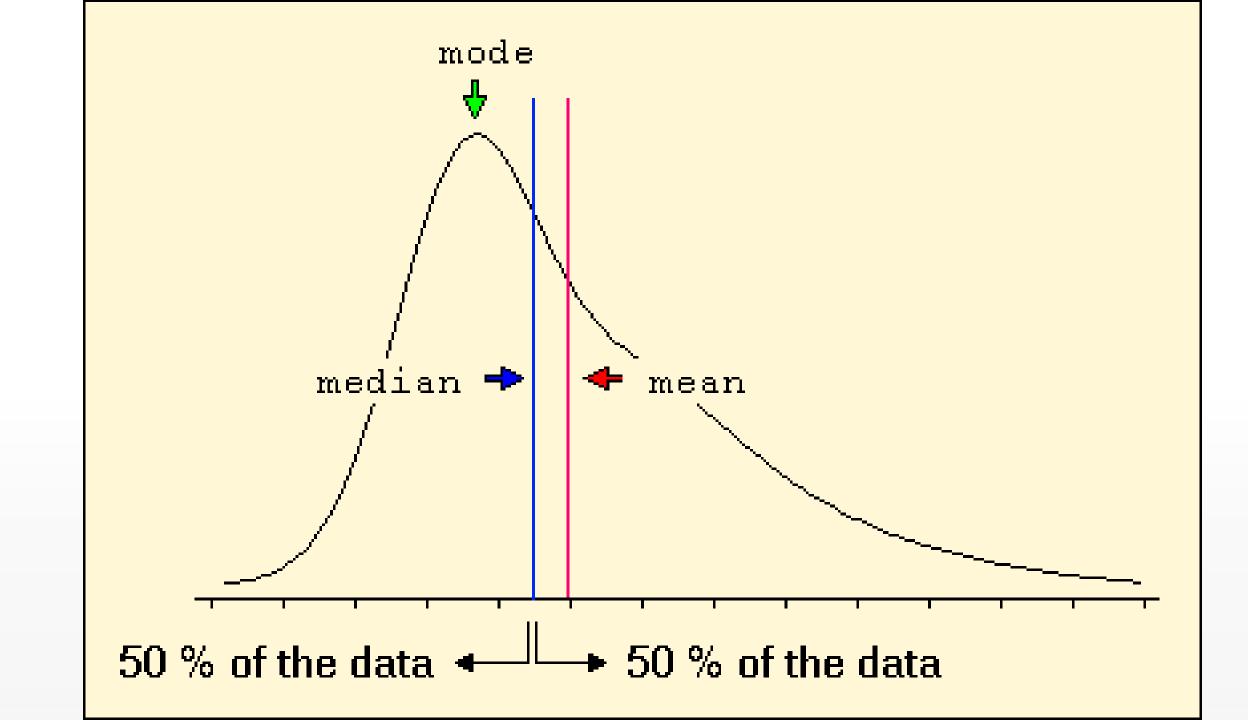
 s_i the number of scores lower than the considered score

N the total number of the scores

$$DTF(I_i) = \frac{W_p - S_c}{W_p - B_p} \cdot 100$$

Where W_p represent the worst performance and B_p the worst performance, while " S_c " is the considered score







MEDIAN

The MIDDLE number in a data set

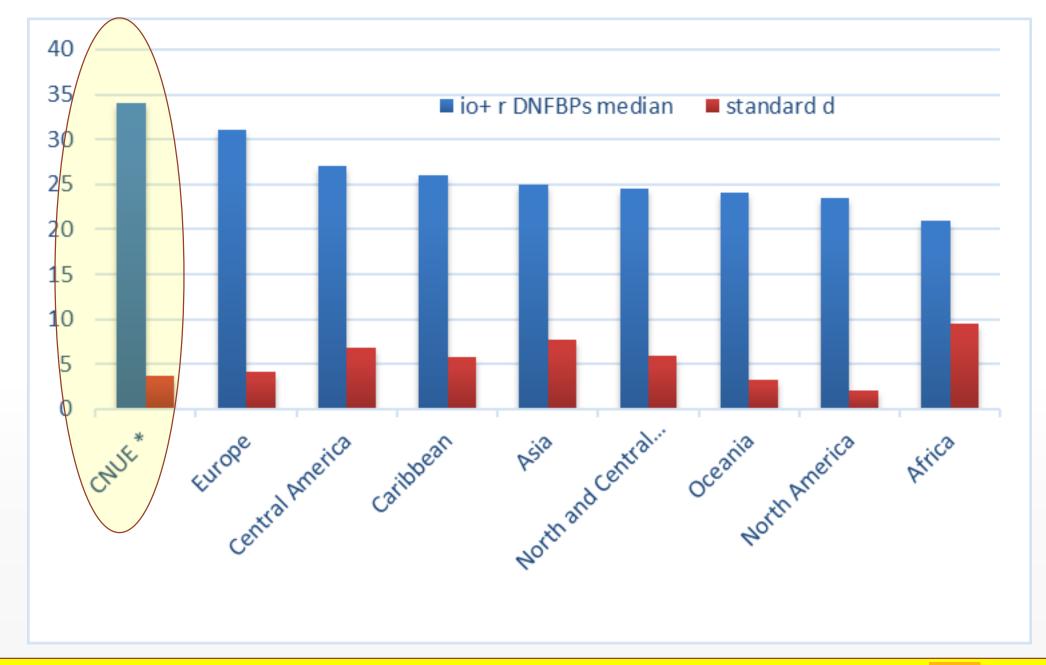
$$\frac{6+10}{2} = \frac{16}{2} = 8$$



DNFBPs mean	DNFBPs median	io+r DNFBPs mean	io+ r DNFBPs median	standard d	
29,50	30,00	34,38	34,00	3,70	CNUE *
25,40	25,00	29,80	31,00	4,08	Europe
23,33	24,50	26,33	27,00	6,77	Central America
23,80	23,00	27,40	26,00	5,81	Caribbean
23,90	23,50	26,90	25,00	7,75	Asia
					North and
22,25	21,00	25,63	24,50	5,93	Central
					America
20,00	20,00	22,75	24,00	3,30	Oceania
19,00	19,00	23,50	23,50	2,12	North America
17,00	21,00	17,40	21,00	9,56	Africa

^{*}Includes Lithuania imputed values on the basis of the MONEYVAL report 2017







ačiū ..thanks

European Notarial Network seminar on the implementation of European requirements of the money laundering and terrorist financing prevention and personal data protection

> 18 May 2018 Vilnius, Lithuania

ECONOMIC ANALYSIS: AML FRAMEWORK
AND CONSIDERATIONS ON SOME ASSESSMENT INDICATORS

cnn.acappiello@notariato.it