



CNUE



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**

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## FATF (members)

Argentina

Australia

**Austria\***

**Belgium\***

Brazil

Canada

China

**Denmark**

***European Commission***

**Finland**

**France\***

**Germany\***

**Greece\***

***Gulf Co-operation Council***

Hong Kong, China

Iceland

India

**Ireland**

**Italy\***

Japan

Republic of Korea

**Luxembourg\***

Malaysia

Mexico

**Netherlands\***

Kingdom of New Zealand

Norway

**Portugal\***

Russian Federation

Singapore

South Africa

**Spain\***

**Sweden**

Switzerland

Turkey

**United Kingdom**

United States

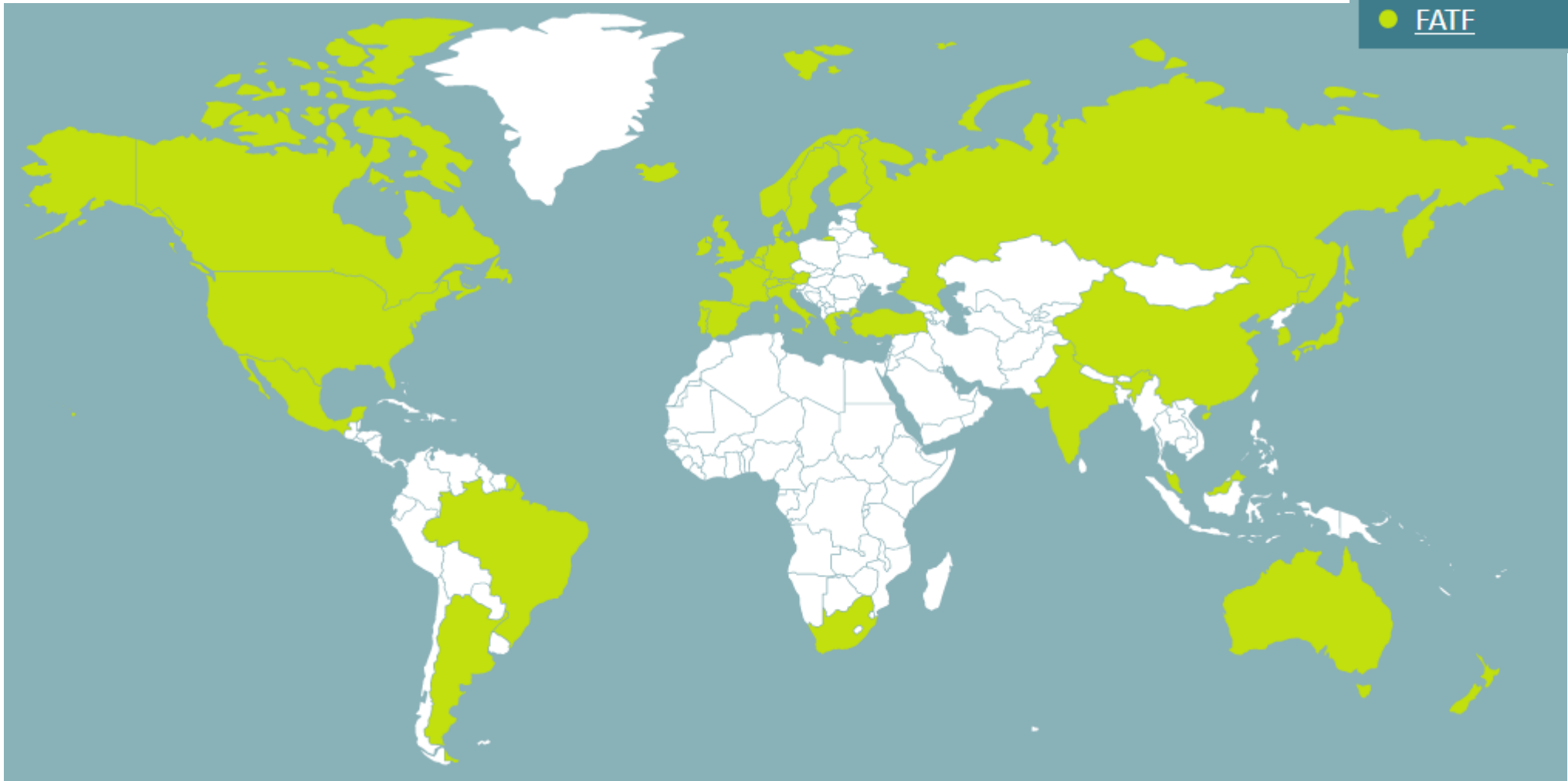
**35 + 2 regional**

**\*CNUE member (9)**

**Bold: EU members (13)**



● FATE





The FATF logo is a red shield-shaped emblem with the letters 'FATF' in white at the top. Below the letters is a stylized white graphic of a globe or a map of the world, with red and white curved lines representing continents and oceans.

FATF

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

## **The FATF Recommendations**

The FATF logo is a red shield-shaped emblem with the letters 'FATF' in white at the top. Below the letters is a stylized white graphic of a globe or a map of the world, with red and white curved lines representing continents and oceans.

FATF

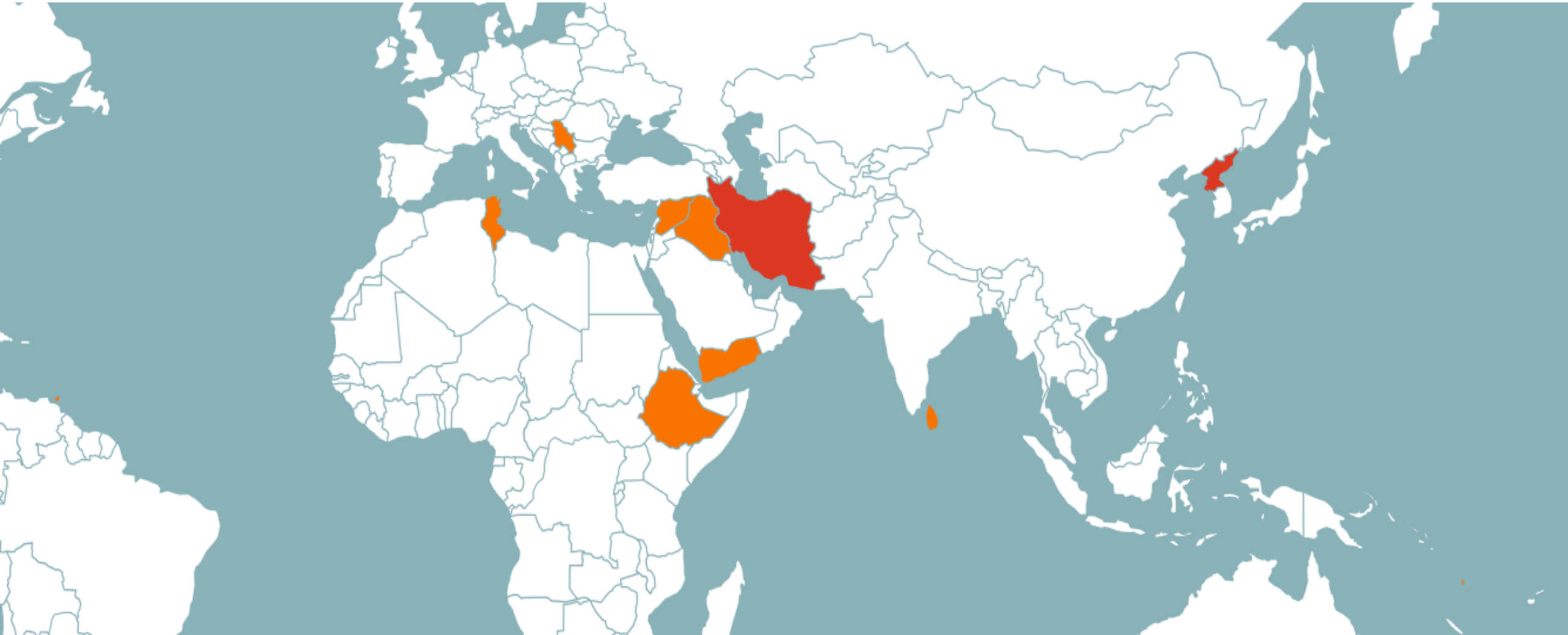
## **Methodology**

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 Suspicious Transactions Reporting

Versione	5a	Antiriciclaggio - Segnalazione Operazioni Sospette	
Data	15/09/2015		
Pagina	14 di 15	<b>Guida Rapida eSign</b>	

Se l'operazione di decifratura è andata a buon fine si può salvare il file originale premendo il pulsante "Salva contenuto..." e alla successiva finestra selezionare la cartella dove salvare e premere il pulsante "Salva".

Nome	Ultima modifica	Tipo
Allegati	10/03/2010 12:37	Cartella di file
Certificati	01/07/2011 11:49	Cartella di file
FileDTD	10/03/2010 12:37	Cartella di file
InfoPEC	10/03/2010 12:37	Cartella di file

Invia Segnalazione

Selezionare il file **.XML.P7E.P7M**

Selezionare il file XML, contenente la segnalazione, da inviare ad UIF. Il file dovrà essere cifrato e firmato digitalmente.

Dati Utente  
ID Utente: **UTENTE**

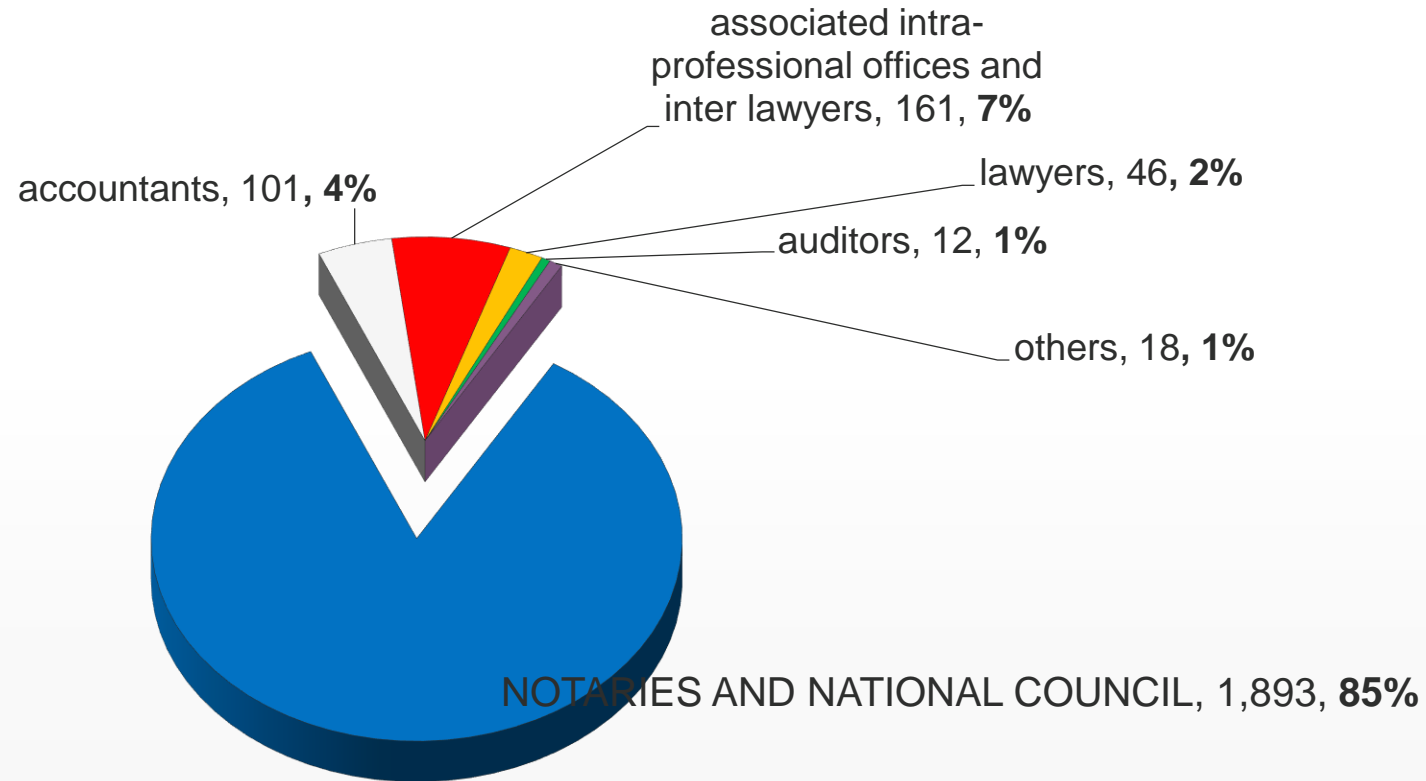
Dati Notario  
Codice Fiscale: **STRPQL65T26F8390**  
Cognome: **NOTARTELO1**  
Nome: **UTENZA DI TEST**  
Email: **notartel01@n...**





# Notaries and STR in Italy

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



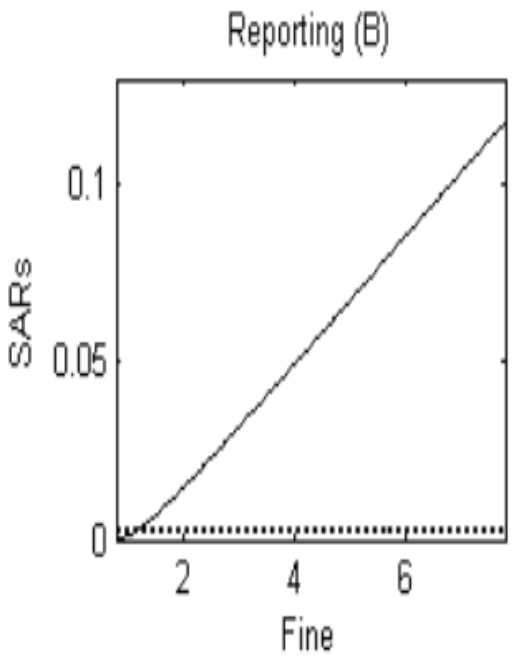
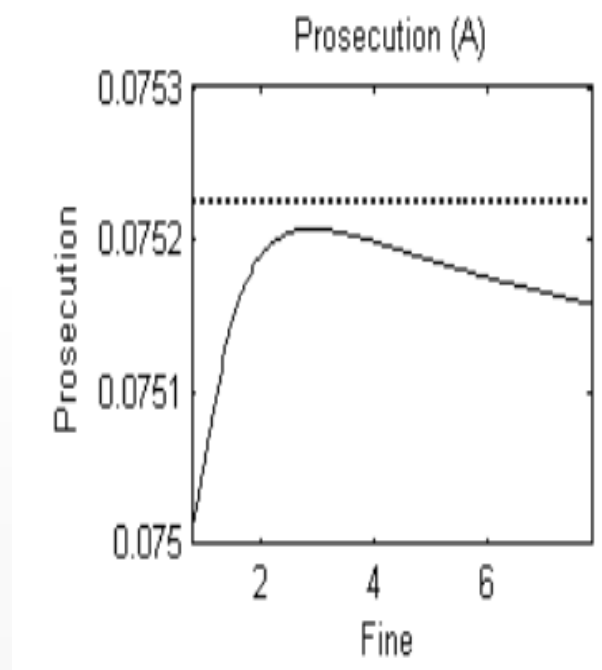
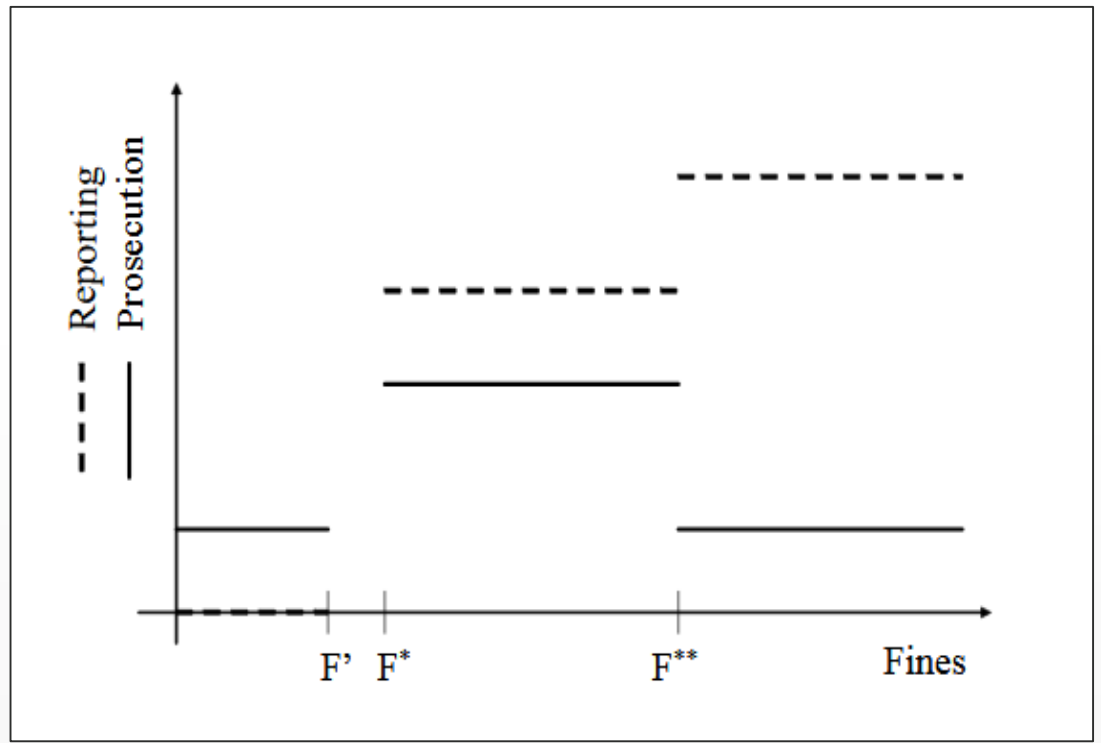


		Reality	
		Signal	No Signal
Our Response	Alarm	Hit	False Positive False Alarm Type I Error
	No Alarm	False Negative Miss Type II Error	Correct Rejection





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



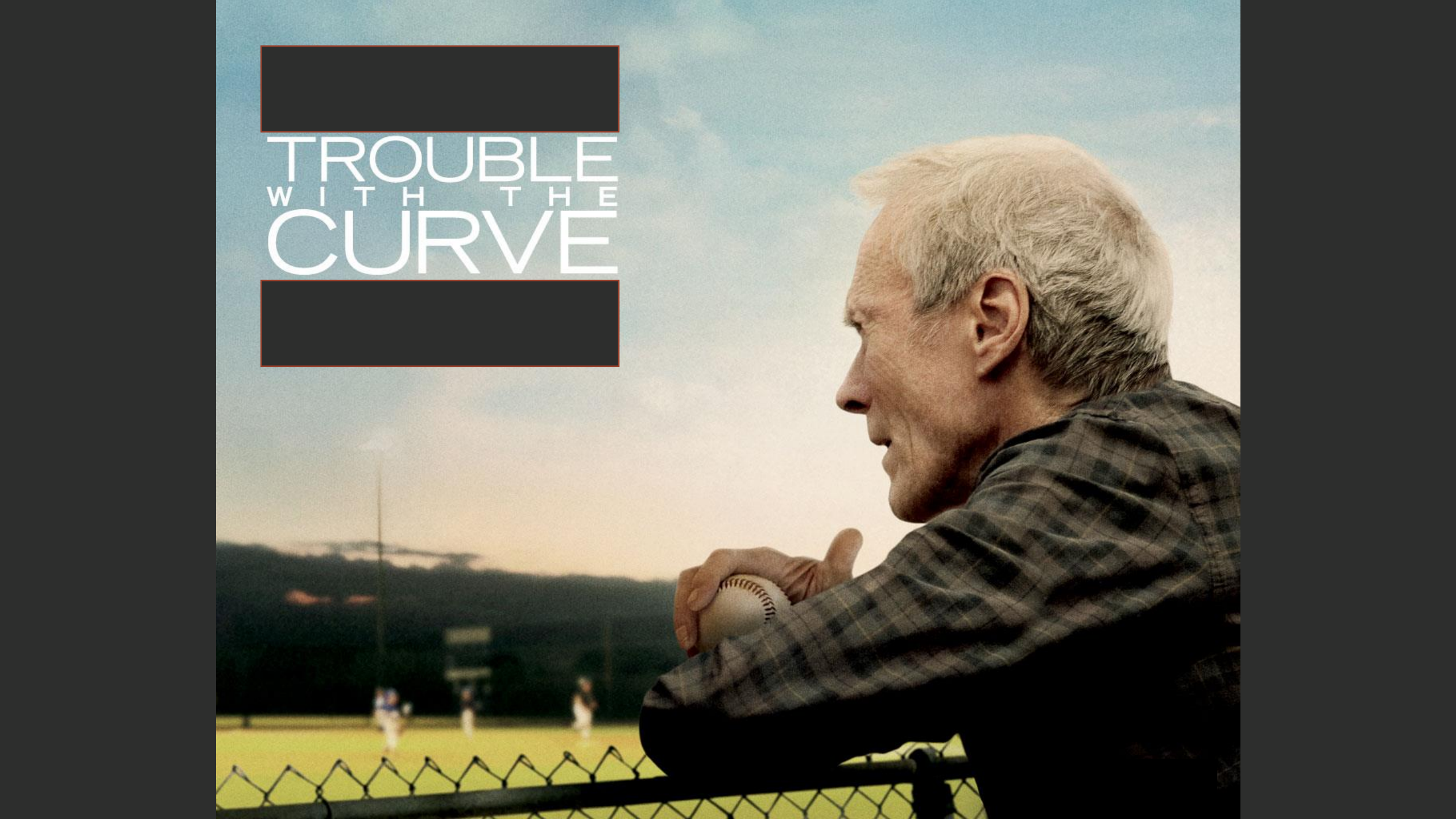


# STRs crying laundering



**[FALSE POSITIVE]**





TROUBLE  
WITH THE  
CURVE



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

Let's assume

$\pi(\text{aml})$  = 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  $EV \leq 0$

$$\sum_i^n \pi_i - Fp > 0$$





$$EV = \sum_i^n (\pi_i - F)p + \pi_i(1 - p) \leq 0$$

$$\sum_i^n \pi_i p - Fp + \pi_i - \pi_i p \leq 0$$

$$\sum_i^n \pi_i - Fp \leq 0 \quad Fp \geq \sum_i^n \pi_i \quad F \geq \sum_i^n \pi_i \frac{1}{p}$$



$$F \geq \sum_i^n \pi_i \frac{1}{p}$$



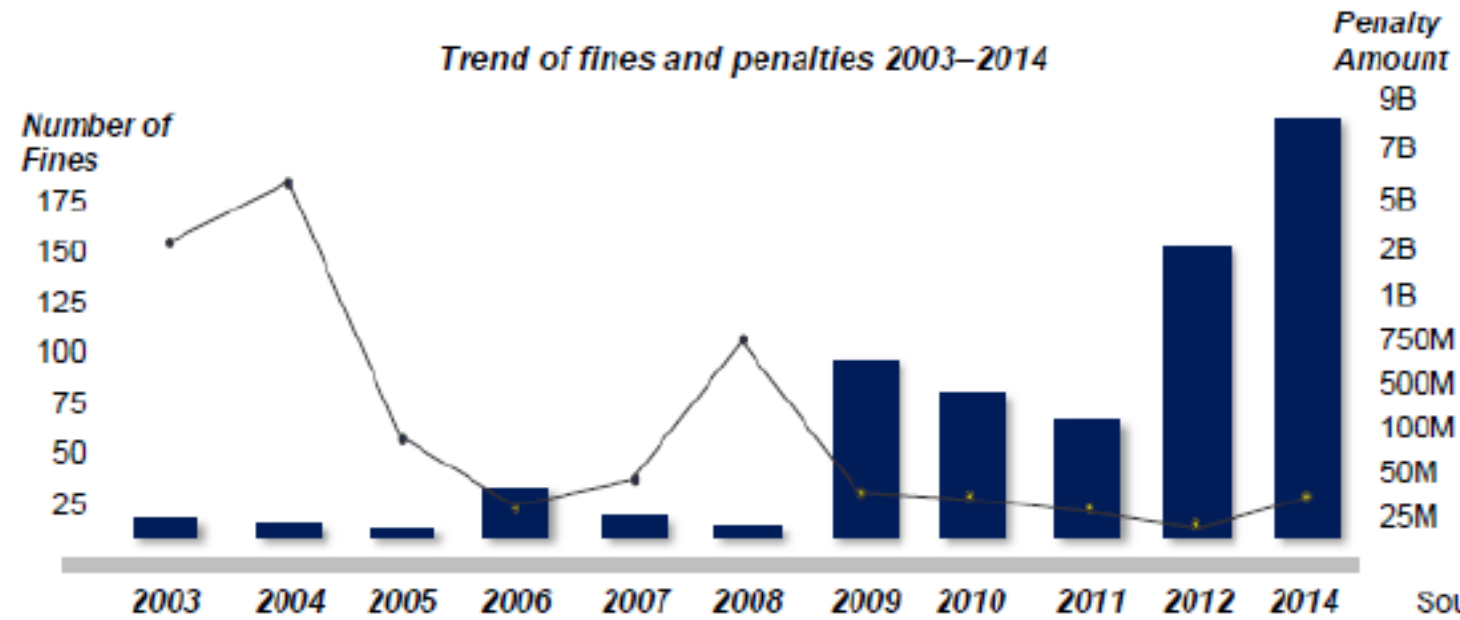


**Record-breaking fines imposed on financial institutions**

*Examples of fines for AML and Sanctions violations (in USD million)*



*Trend of fines and penalties 2003–2014*



Source: Multiple news sources



**Trend of increasing regulatory scrutiny and penalty**

Source: Multiple news sources



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

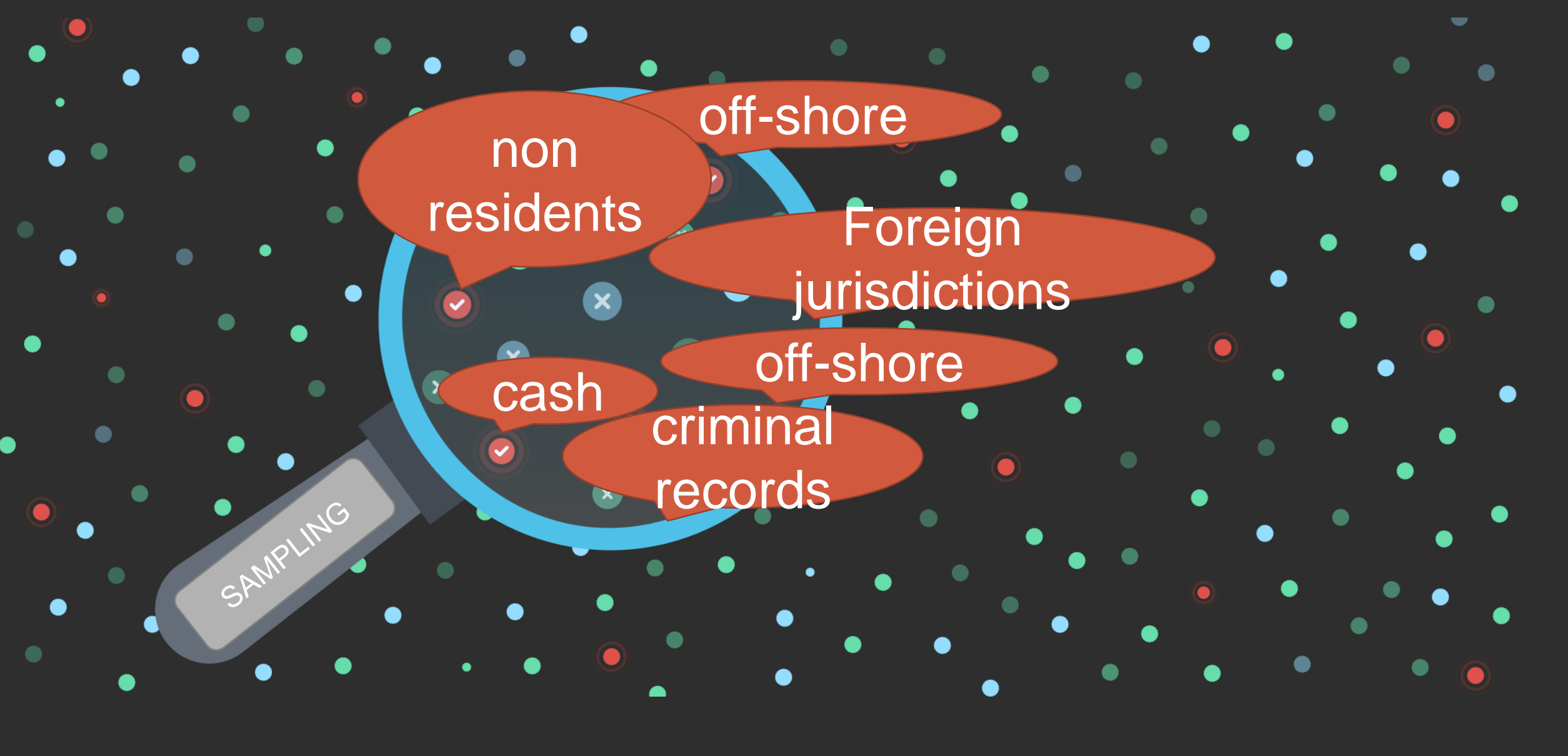
Selecting a sample: main criteria

- 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?



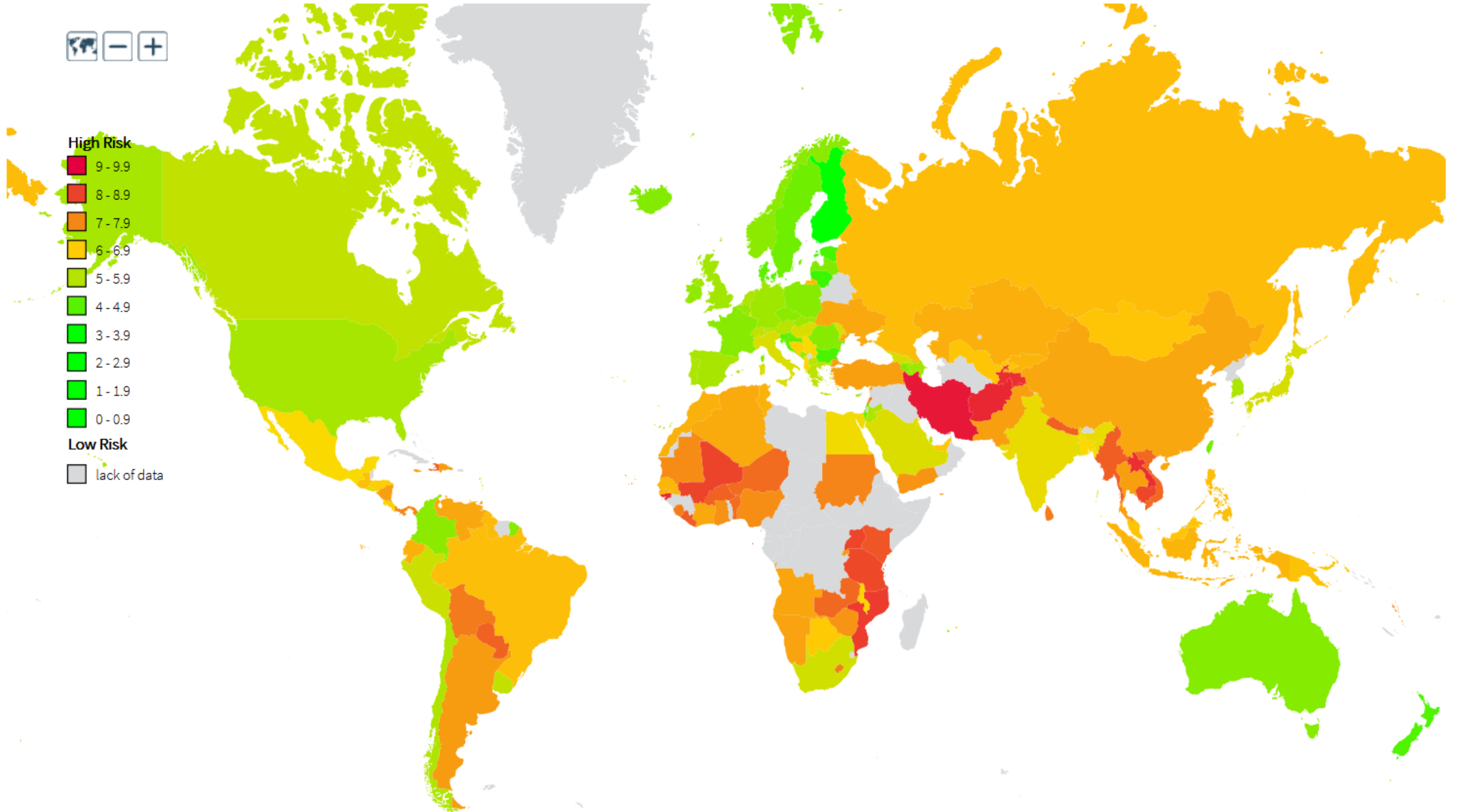


**High Risk**

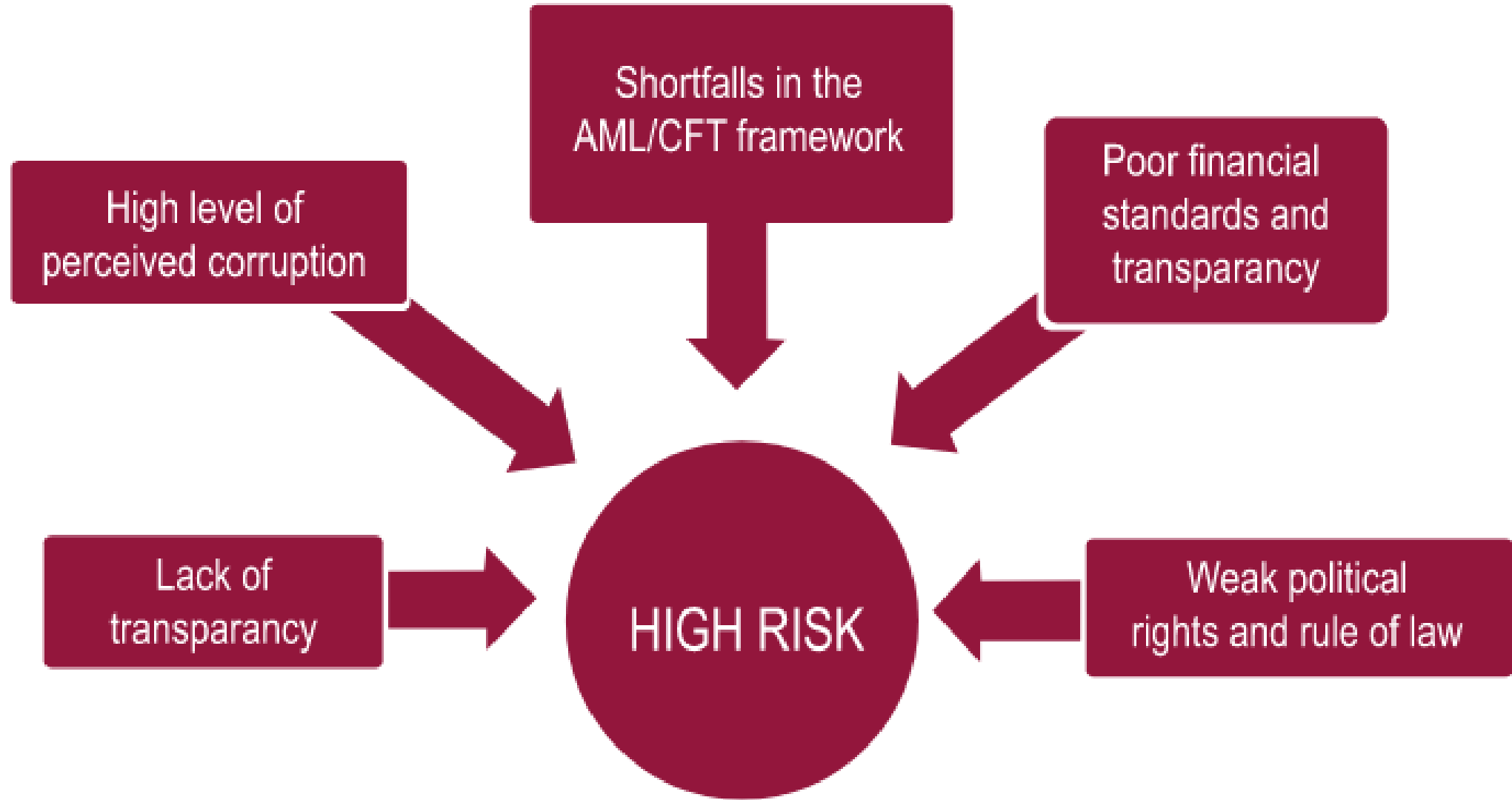
- 9 - 9.9
- 8 - 8.9
- 7 - 7.9
- 6 - 6.9
- 5 - 5.9
- 4 - 4.9
- 3 - 3.9
- 2 - 2.9
- 1 - 1.9
- 0 - 0.9

**Low Risk**

- lack of data



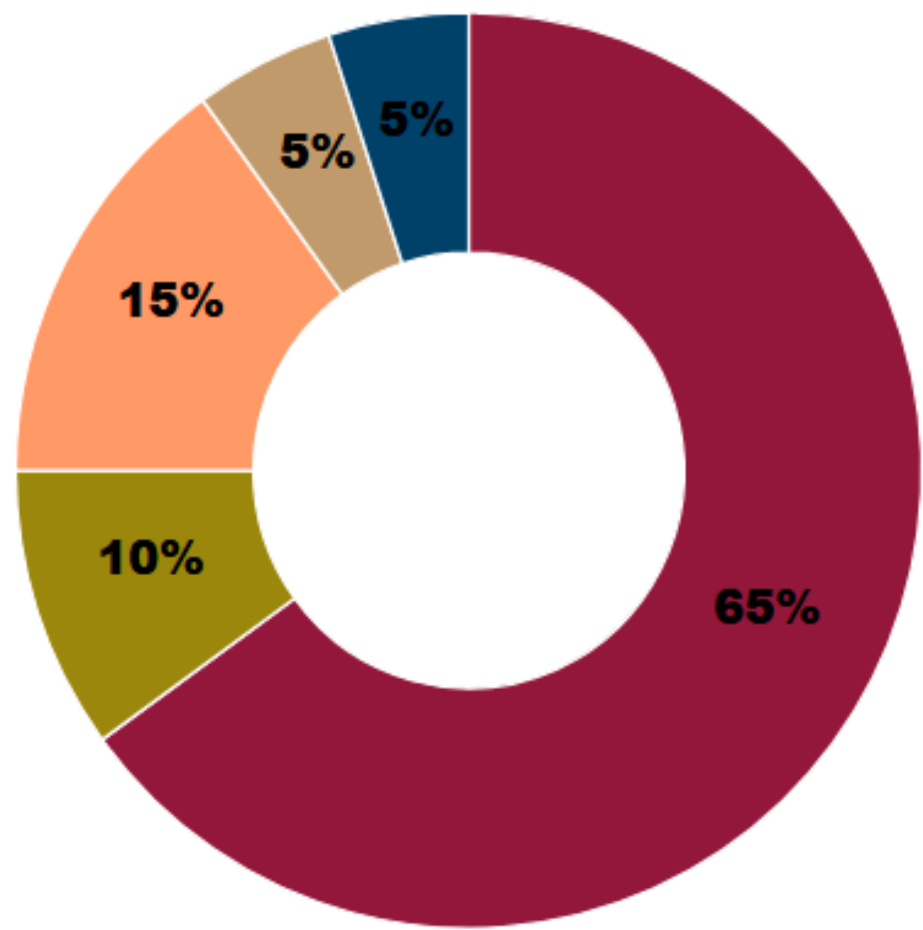








- Money laundering/ Terrorist Financing Risk
- Corruption Risk
- Financial Transparency & Standards
- Public Transparency & Accountability
- Political & Legal Risk





## 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 & Corruption

### 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.















# 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.

$$\rightarrow \sum_1^n x_2 df$$



## Lithuania



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

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



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]*



$$\sum_1^n IO_{DNFBPS}$$

*for Immediate Output compliance*

$$\sum_1^n R_{DNFBPS}$$

*for FATF Recommendations compliance*



## Immediate 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.

**IO2** International co-operation delivers appropriate information, financial intelligence, and evidence, and facilitates action against criminals and their assets.

**IO3** Supervisors appropriately supervise, monitor and regulate financial institutions and **DNFBPs** for compliance with AML/CFT requirements commensurate with their risks.

**IO4** Financial institutions and **DNFBPs** adequately apply AML/CFT preventive measures commensurate with their risks, and report suspicious transactions.

**IO5** **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





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

\*Includes Lithuania imputed values on the basis of the MONEYVAL report 2017





$$\Phi (I_i) = \frac{S_i}{N - 1}$$

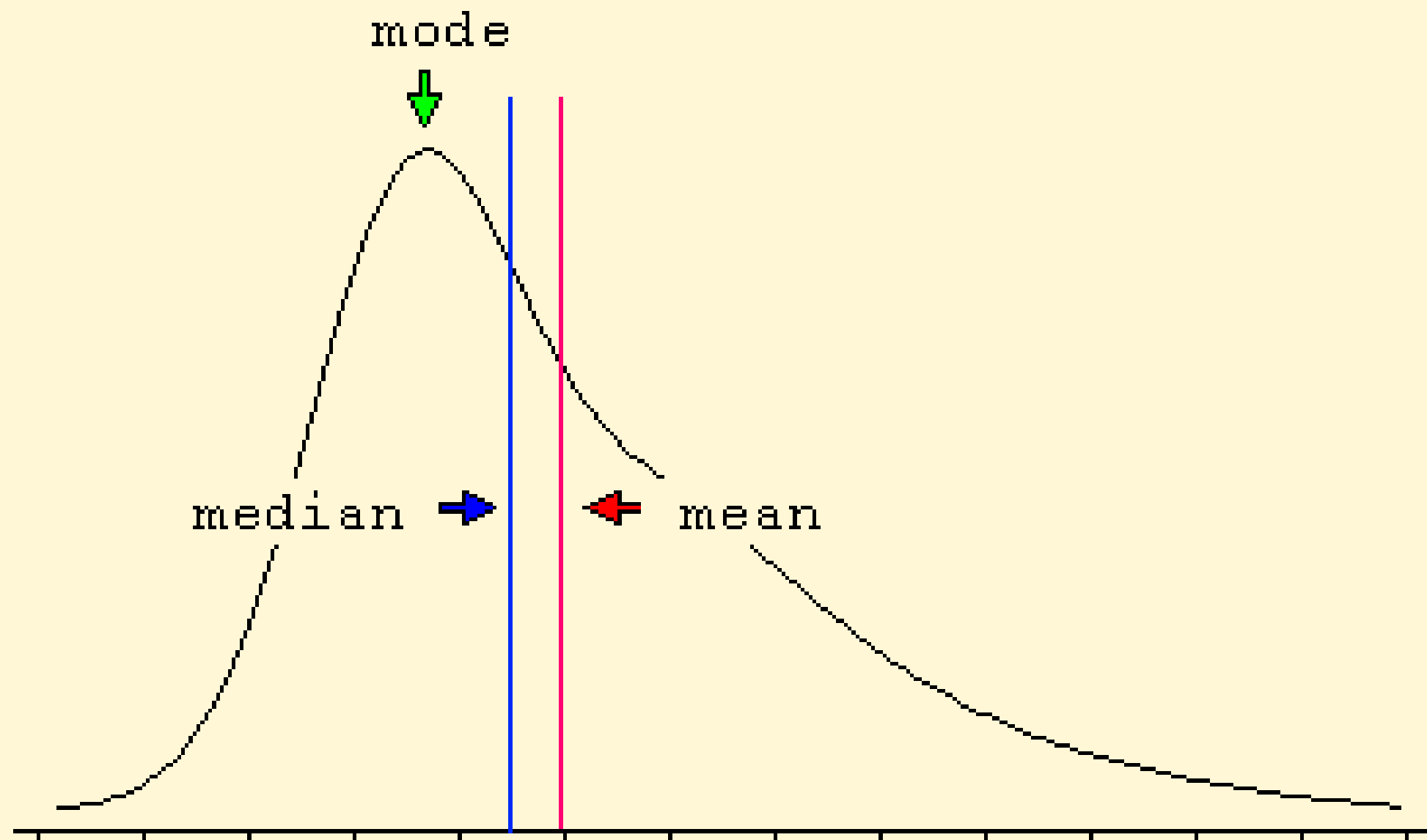
$s_i$  the number of scores lower than the considered score

$N$  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 best performance, while “ $S_c$ ” is the considered score





50 % of the data ← || → 50 % of the data



## MEDIAN

The **MIDDLE** number in a data set

2 4 5 **7** 12 15 18

↑  
Median

3 4 **6** **10** 13 19

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

**52** **52** **65** **73** **81** **86** **89** **91** **275**

Mean = 96   Mode = 52   **Median = 81**



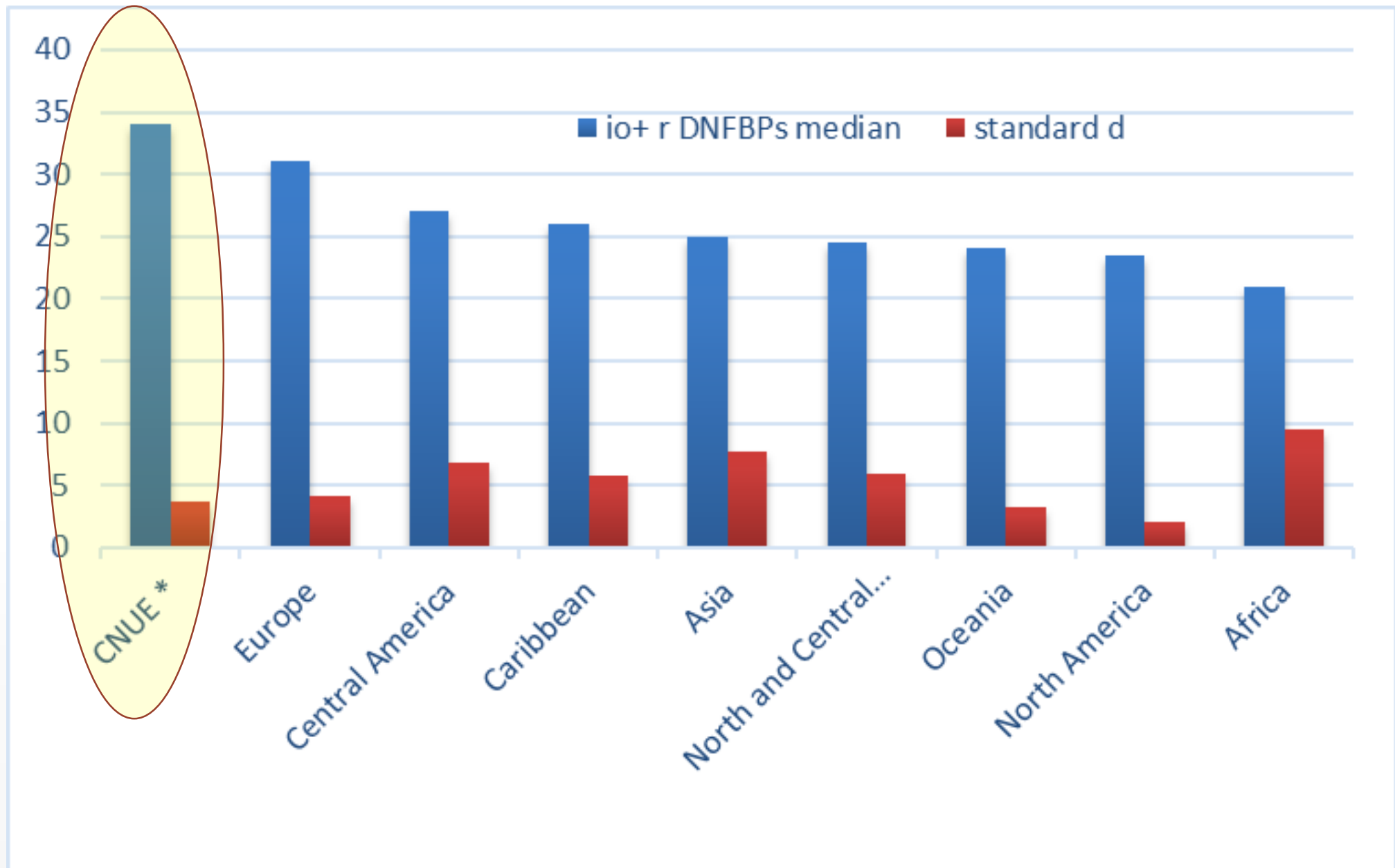


<b>DNFBPs mean</b>	<b>DNFBPs median</b>	<b>io+r DNFBPs mean</b>	<b>io+ r DNFBPs median</b>	<b>standard d</b>	
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<b>25,40</b>	<b>25,00</b>	<b>29,80</b>	<b>31,00</b>	<b>4,08</b>	<b>Europe</b>
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# ačiū ..thanks

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