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INTER-AMERICAN DRUG ABUSE
CONTROL COMMISSION
CICAD

Secretariat for Multidimensional Security

XXXIV GROUP OF EXPERTS FOR THE CONTROL OF MONEY LAUNDERING
MAY 30-31, 2012
Washington, D.C.

OEA/Ser.L/XIV.4.34
CICAD/LAVEX/doc.9/12
May 29 2012
Original: Spanish

ANALYSIS OF RISK FACTORS ASSOCIATED WITH MONEY LAUNDERING AND TERRORISM FINANCING
AT THE HEMISPHERIC LEVEL. RECOMMENDATIONS
TOMAS KOCH, UNIDAD DE ANALISIS FINANCIERO, CHILE



**ANALYSIS OF RISK FACTORS ASSOCIATED
WITH MONEY LAUNDERING AND TERRORISM
FINANCING AT THE HEMISPHERIC LEVEL.
RECOMMENDATIONS**

May 2012

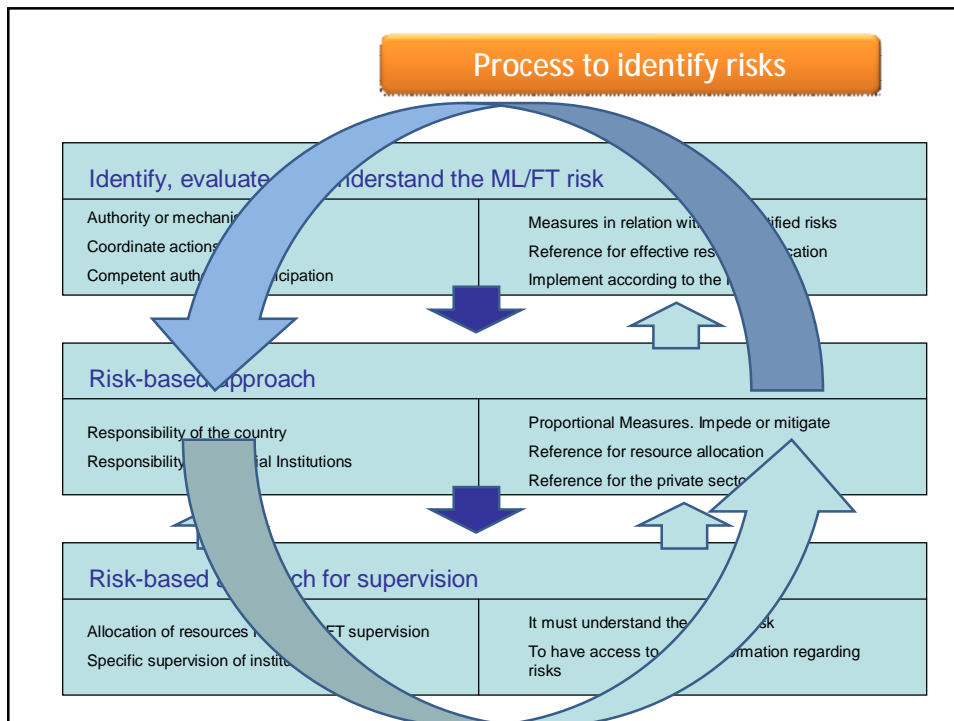
Do we know the ML/FT risks of the region?

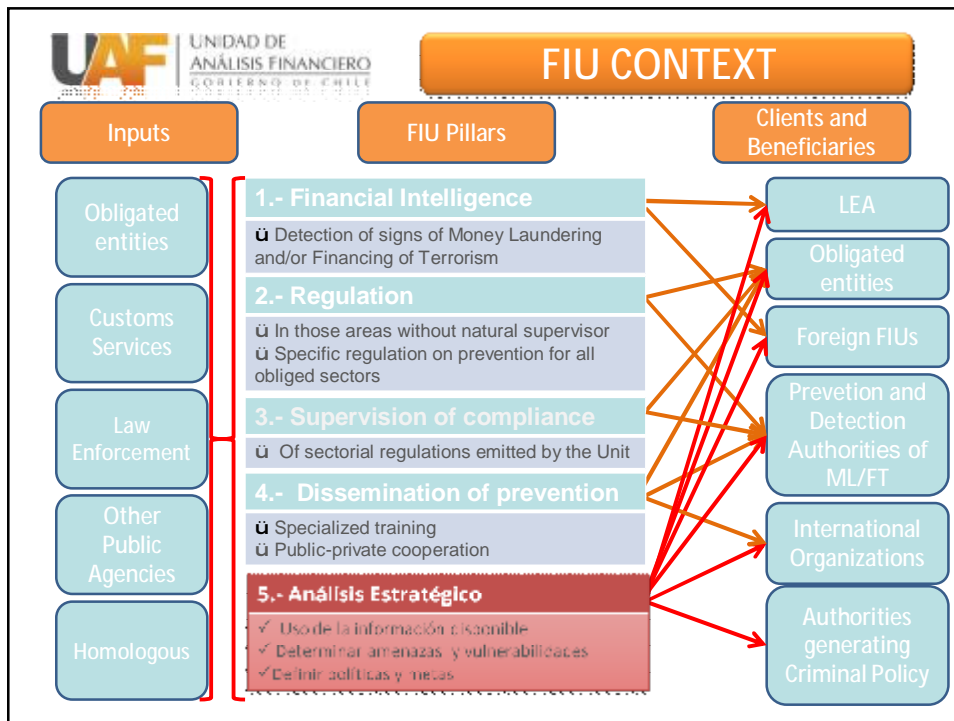
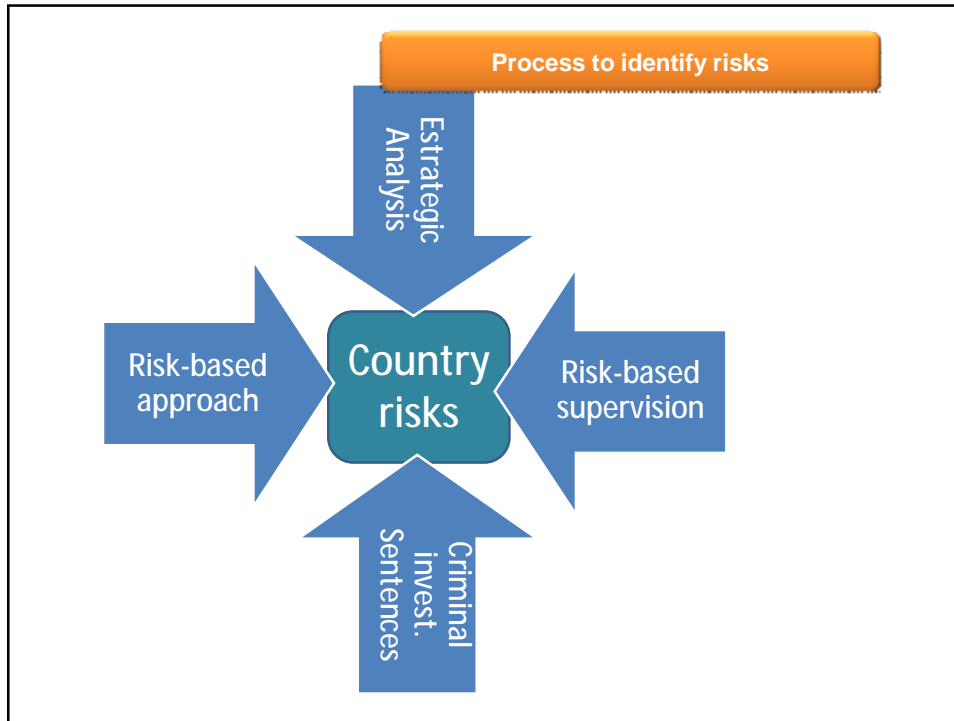
Do we know the ML/FT risks of our country?

Do we know the ML/FT risks of the financial system?



Why it is necessary to know the risks?

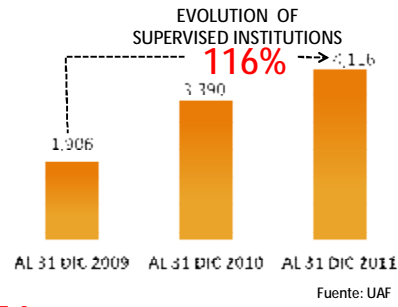




RESULTS in laundering prevention

SECTORES	abr-12
Administradoras de Fondos de Inversión	27
Administradoras de Fondos Mutuos	0
Administradoras de Mutuos Hipotecarios	13
Administradoras Generales de Fondos	25
Administradores de Fondos de Pensiones (AFP)	6
Agentes de Aduana	192
Agentes de Valores	19
Banco	24
Bolsas de Productos	2
Bolsas de Valores	3
Cajas de Compensación	3
Casas de cambio	239
Casas de Remate y Martillo	248
Casinos de Juegos	23
Casinos Flotantes de Juegos	0
Comité de Inversiones Extranjeras	1
Compañías de Seguros	55
Conservadores	55
Cooperativas de Ahorro y Crédito	46
Comercios de Bolsa de Valores	46
Comercios de Bolsas de Productos	7
Comercios de Propiedades	851
Emisoras de Tarjetas de Crédito	9
Empresas de Arrendamiento Financiero (Leasing)	16
Empresas de Factoraje (Factoring)	73
Empresas de Seguridad	11
Empresas de Transferencia de Dinero	20
Empresas de Transporte de Valores	7
Empresas de Gestión Inmobiliaria	206
Hipódromos	8
Notarios	331
Operadoras de Tarjetas de Crédito	4
Operadores de Mercados de Futuro y de Opciones	2
Otras entidades que reciben moneda extranjera	1
Sociedades Administradoras de Zonas Francas	2
Sociedades Anónimas Deportivas	16
Usuarios de Zonas Francas	1.885
TOTAL	4.476

Increasing number of supervised...

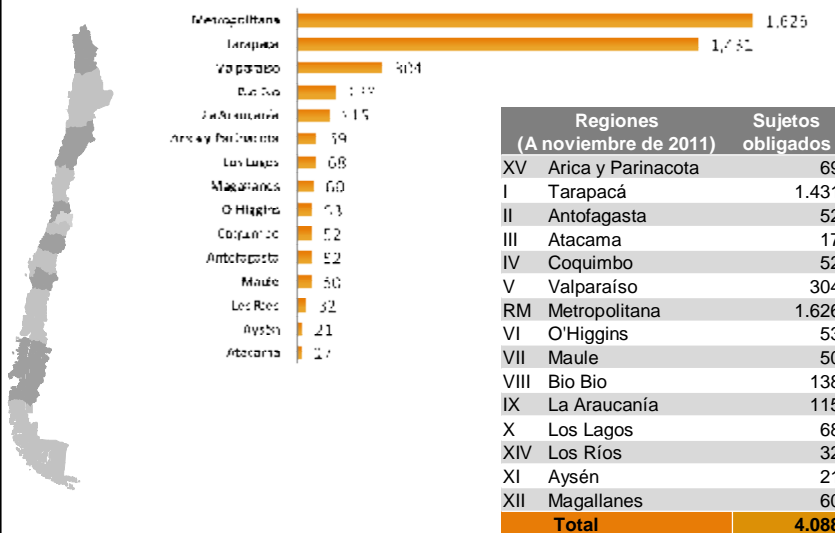


4.476 supervised institutions (03/27/2012)
36 economic sectors



Located all over the country...

Regional distribution



Fuente: Unidad de Análisis Financiero (UAF).

TYPES OF CONTROL

1. OPERATIONAL CONTROL
Verification of sending objective reports.
2. PLANNED CONTROL
Annual Control Plan ML/FT.
RBS approach
In situ / Extra situ
3. SELECTIVE CONTROL
Unplanned
RBS approach
In situ

RISK-BASED SUPERVISION

Set of actions carried out in a structured and integral way and that allows supervisors to assess the management and control of ML / TF by the entities under its supervision.

The risk-based supervision also applies to regulatory compliance by focusing on higher risk activities. This approach allows the development of more efficient and effective supervision strategies in resource management, both human and technical.

RBS

§ To develop a general framework and risk-based methodology on ML/FT, especially for obligated entities which, for not to have assigned a functional supervisor, must be supervised by the UAF itself, according to Law 19,913 and circular issued.

§ To define a "risk ranking" of sectors of obligated entities to prioritize their function and supervisory resources.

§ To homologate these practices in other supervisory authorities.

SEGMENTATION AND SECTORIAL RISK RANKING

Ø Obligated sectors (obligated entities) that do not have a natural supervisor

Ø Different risks in different sectors

Ø Limited supervisory resources

Ø Homologate practices with other supervisors (in those sectors that have a natural supervisor)

Ø Risk ranking > Segmentation y risk ranking by sector

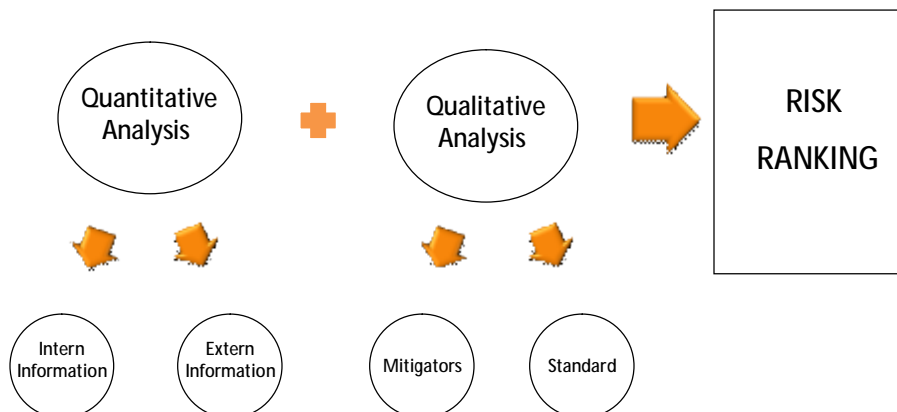
CLASIFICATION CRITERIA

- Ø Total national market
- Ø Economic position
- Ø Financial position

Use of a scale. For example, from 1 to 5 associated to the quantity and quality factors.

Risk exposure to ML/FT - Factors
Quantitative factors
Qualitative factors
Further external information

RISK MATRIX STRUCTURE



QUANTITATIVE ANALYSIS: INTERNAL VARIABLES

Identification of internal variables, which recommend carrying out an analysis and assessment of cash transactions reports (CTRs) and suspicious transactions reports (STRs).

ASSESSMENT OF CASH TRANSACTIONS REPORT

- §Number of CTR
- §Amount of CTR

ASSESSMENT OF SUSPICIOUS TRANSACTIONS REPORT

- §Number of STR
- §Quality of STR

ASSESSMENT OF OTHER REPORTS

QUANTITATIVE ANALYSIS: INTERNAL VARIABLES

Determination of the Number of STR and its Risk Classification

Tabla N° 6: Escala de Riesgo para Cantidad de ROS.

N° ROS		Escala de Riesgo	Clasificación de de Riesgos
De	A		
0	255	1	Muy Bajo
256	510	2	Bajo
511	764	3	Medio
765	1.019	4	Alto
1.020	1.274	5	Muy Alto

The quality is related to the data elements contained in the Report

Planilla de Evaluación Calidad de ROS					
Categorías según Formulario ROS					
Información del sujeto reportante	Persona o Entidad reportada	Otros Antecedentes	Detalle de la operación reportada	Descripción del Reporte	Opinión del Analista UAF
5%	10%	10%	20%	55%	60%

QUANTITATIVE ANALYSIS: EXTERNAL VARIABLES

GEOGRAPHIC AREA

- **In risk zone** > Obligated entities operating in that area have a higher risk. They should be subcategorized by permeability according to the activity (it is not the same a Bank branch in a risk zone than a Exchange House without a good system or, for example, in the case of a Chile, a Free Trade Zone user).
- **Normal** > Obligated entities operation outside the risk zone.

QUANTITATIVE ANALYSIS: EXTERNAL VARIABLES

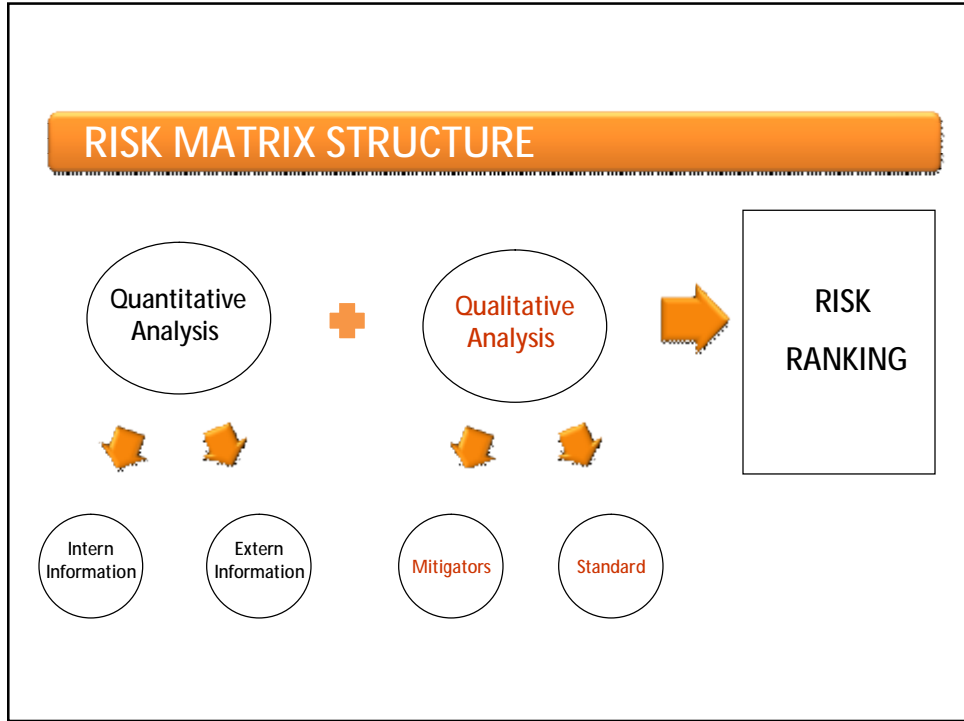
TOTAL INCOMES

Information that can be collected from sources of information published by various regulatory agencies such as:

- §Superintendence for Banks, Financial Institutions
- §Superintendence for Securities
- §Superintendence for Insurance
- §Superintendence for Pensions
- §Superintendence for Casinos

In addition, the information was obtained from sectorial associations such as:

- §Association of Mutual Fund Administrators
- §Association of Insurers
- §Websites of each company
- §Institutional memories



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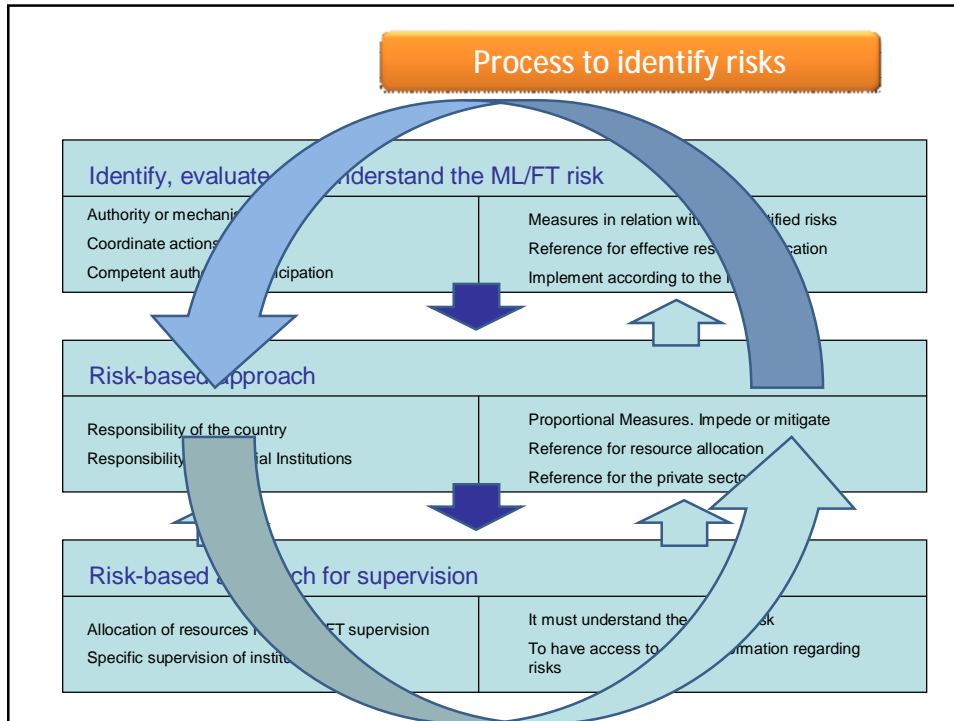
QUALITATIVE ANALYSIS: MITIGATORS

- Adequacy of risk management system and AML / CFT controls of the OS / sectors that have a natural supervisor
Additional regulations that the natural Natural has issued in ML / FT.
- Useful prudential regulation for the prevention of ML / FT. Regarding to the next point (in order to not to ignore the other supervisors who perform management).
- Existence of external audits and its role in mitigating risks of ML / TF; the same with good sectorial practices of self control, transparency in operations, transparency regarding the control / ownership, etc.

QUALITATIVE ANALYSIS: STANDARD (ANALYST JUDGMENT)

- Consider the FATF 40R, works and studies developed in different sectors of FIs and DNFBPs
- Consider regional elements of neighboring countries
- The following classification can be carried out taking into account a risk scale of 1 to 5

Homogeneity of International Standards	Sector
1	Commodity exchanges, stock exchanges, Foreign Investment Committee, Conservatives , Securitization companies and Operators of futures and options exchange.
2	Pension Fund Administrators (PFA), Customs Agents, Credit Cards Issuers, Security Transport Companies; Racecourses; Operators of Credit Cards and Sports Corporations.
3	Investment fund managers, Mutual fund managers, Mutual mortgage managers, General Fund Managers, Auction Houses, Insurance Companies, Brokers of commodity exchanges, Financial leasing companies, Factoring companies and Companies engaged in real estate management.
4	Brokers, Cooperatives (financial institutions), Stock exchange brokers and Notaries.
5	Banks, Exchange houses, Casinos, Real state agents, Money transfer companies, Free zone management companies, Free zone users, Other entities authorized to receive foreign currency, Gaming houses.



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**Análisis de Factores de Riesgo asociados al Lavado de Activos y
Financiamiento del Terrorismo a Nivel Hemisférico
Recomendaciones**

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Mayo de 2012