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Preparation of the National Risk Assessment of Peru 2020: Challenges in the Implementation of the FATF Standards and Methodological Guides

Octubre de 2020

Agenda

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1. Evolution
2. Process, Update, Stages and Participants
3. 2016 NRA Methodology
4. Mutual Evaluation and 2020 NRA
5. Main Challenges and Recommendations

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Evolution of ML / TF Risk Assessments in Peru

2010

- **National Risk Diagnosis**
- With technical assistance from the International Monetary Fund

2011

- **National Plan to Fight ML / TF**
- With technical assistance from the International Monetary Fund

2016

- **National Risk Assessment**
- With IDB technical assistance
- **Sector Risk Assessments**
- - Mining
- - Fishing
- Consultancies developed by APOYO and GIZ technical assistance

2017

- **National Policy to Combat ML / TF**
- DS 018-2017-JUS
- **Update of the National Plan to Fight ML / TF**
- With technical assistance from GIZ
- **Sectorial Risk Assessment - Financial System**
- Developed by APOYO and technical assistance from GIZ

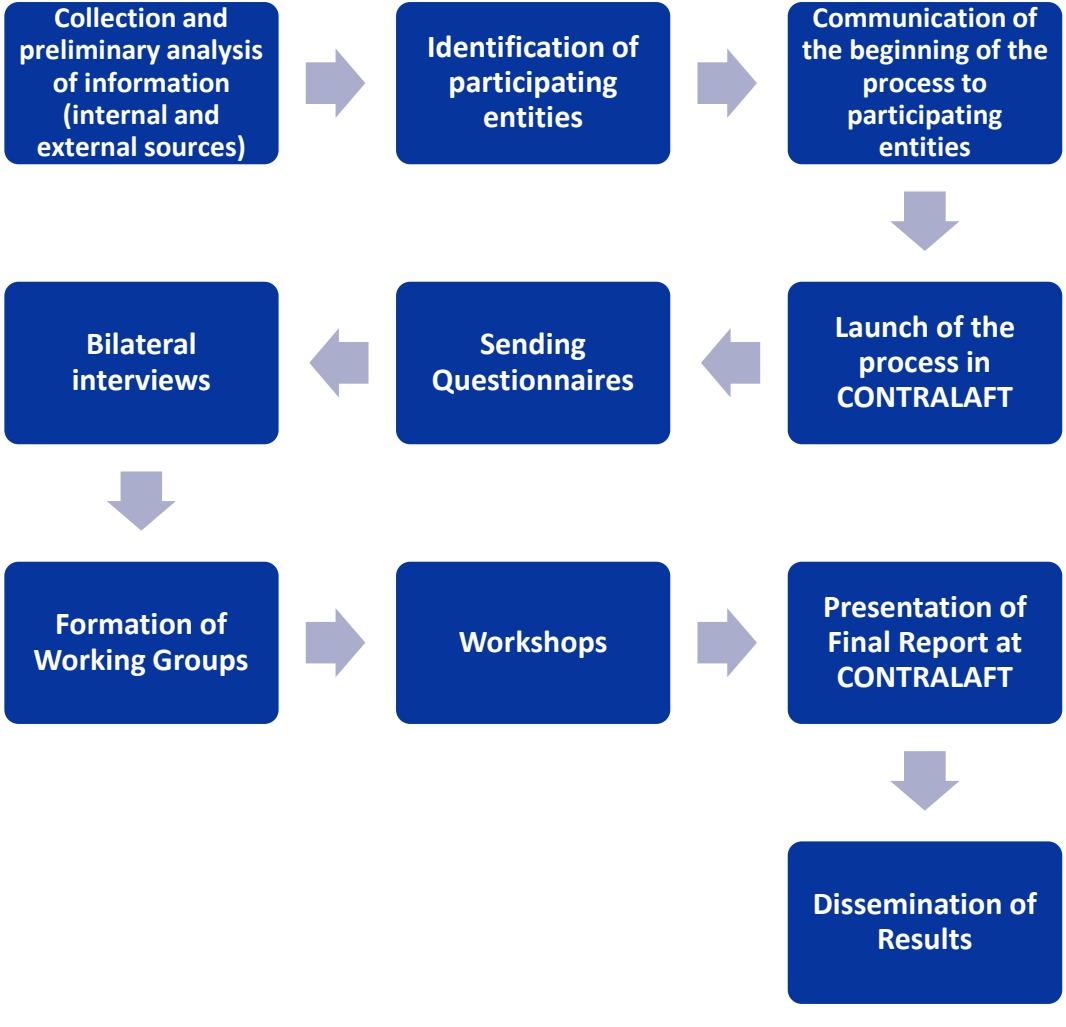
2018

- **National Plan to Fight ML / TF**
- DS 003-2018-JUS
- **Sectorial Risk Assessment - Timber Sector**
- Developed by APOYO and technical assistance from GIZ
- **Approval of IEM in Plenary of GAFILAT**

2019

- **Sectorial Risk Assessment - Casinos, Online gambling and Sports Betting Sector**
- SECO technical assistance
- **New National Risk Assessment (in process)**
- 1 operational consultant hired by GIZ

ML / TF Risk Assessment Process in Peru



Procedure for Updating the ENR

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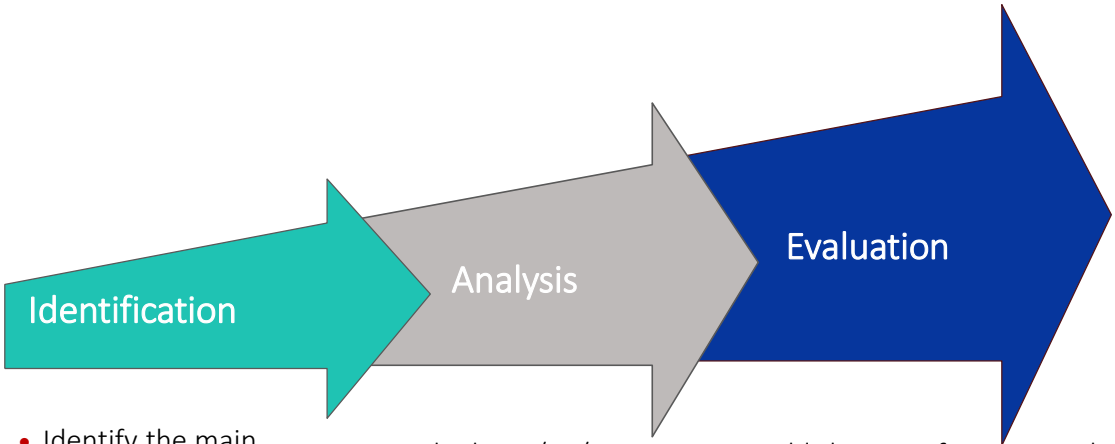
- ✓ **NRA, Policy and National Plan working group:** FIU (coordinator), Min Justice, Police, Public Ministry, Judiciary, Tax and customs, Capital Markets, Assets adm and Min Economy and Finances.
- ✓ **Ordinary procedure:**
  - ✓ Update every 5 years.
  - ✓ Annual monitoring based on:
    - ✓ Compliance with actions to mitigate risks established in the National Plan to Combat ML / TF or other national plans or strategies.
    - ✓ Relevant statistical information.
- ✓ **Extraordinary procedure:**
  - ✓ Identification of new typologies with relevant impact.
  - ✓ Circumstances that warrant it as a result of monitoring during the ordinary procedure.
  - ✓ Mutual Evaluation Report and Intensified Follow-up Process.

Stages of ML / TF Risk Assessments



- Identify the main threats, vulnerabilities and consequences of ML / TF.
- Study the A / V / C, assign them a value and establish a measure for ML / FT risks
- Establishment of sectors and components to be prioritized and of action measures.
- Management actions seek to anticipate and limit potential ML / TF risks

Instrumentos:

- Quantitative information analysis
- Questionnaires
- Work meetings
- Expert judgment
- Polls
- Interviews
- Risk measurement techniques
- Expert judgment
- Work meetings
- Interviews with actors of the AML / CFT system

Participants in NRA ML/TF in Peru

Diagnosis 2010	Coordinator FIU	21 entities (public sector)	6 Questionnaire	45 work meetings	
NRA 2016	Coordinator FIU	48 entities, guild y OE	13 types of Questionnaire 30 entities	29 bilateral meetings	2 talleres with each guild
SRE Minning	Coordinator FIU	94 entities	45 Questionnaire	40 bilateral meetings	2 workshops
SER Fishing	Coordinator FIU	72 entities	38 Questionnaire	34 bilateral meetings	2 workshops
SER Financial	Coordinator FIU	70 officials + supervisors	Questionnaire a 1803 OE (rspta 32%)	20 bilateral meetings	2 workshops
SER Timber sector	Coordinator FIU	69 entities	3 types of Questionnaire to 35 entities	44 bilateral meetings	3 workshops
SER Gambling	Coordinator FIU	85 entities	Questionnaire a 368 OE (rspta. 30%)	24 bilateral meetings	2 workshops with each guild
NRA 2020	Coordinator FIU	105 entities	24 types of Questionnaire to 8300 SO and 100 entities	62 bilateral meetings	2 workshops with each guild

NRA Methodology 2016

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Phase 1

- Relation between vulnerabilities and threats

Phase 2

- Relative risk assessment
- Qualification: low, medium, elevate and high (1 to 4)

Phase 3

- Determination of global risk
- Sum of ratings for each vulnerability among the number of threats identified:
  - 0 to 1: Low risk
  - 1 to 2: Moderate risk
  - 2 to 3: High risk
  - 3 to 4: Very high risk

Phase 4

- Risk Prioritization: Direct relation

Phase 5

- Consolidation of Results.
- Group of valuations for each risk and calculation of average.
- New risk prioritization.
- Preparation of the matrix.

Mutual Evaluation Report to Peru

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RI 1 — Moderate

R 1 — Mostly accomplished

Observations of MLFT Risks	New NRA 2020
✓ The 2016 NRA doesn't stablish how the threats of ML affect the ML/TF.	✓ For each typology it will be identified the main related typologies.
✓ The banking sector proposed that in front of the identified risks in the NRA 2016 was impossible to apply for being referred to the persecution sector.	✓ Identification and risks evaluation presented based on the threats.
✓ Different comprehension levels of the risks of ML for the competent authorities and privet sector which may be limiting the capacity of the country to implement actions and/or specific mitigation policies.	✓ More intensive participation of the private sector. ✓ Communication of the results trough the additional mechanisms (Sector workshops, diffusion campaigns). ✓ Actualization of the National plan based on the NRA 2020.

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Mutual Evaluation Report to Peru

Observations of MLFT Risks MER 2018	New NRA 2020
✓ Peru does not have an ML/TF risk analysis of the economic activities reporting to the FIU and that are part of the ML/TF prevention and detection stage, which may reduce the country's ability to focus efforts on the most vulnerable economic activities	✓ Information about the OE sectors most vulnerable to LAFT will be included, based on a study of sentences, analysis of typologies and the result of the application of risk-based supervision matrices.
✓ There was no evidence of a common understanding of TF risk in Peru. ✓ No financing risks have been identified for individuals, organizations or terrorist activities that are foreign or that comes from abroad. ✓ The understanding of TF risks by OE is limited.	✓ TF NRA in 2021, will address the risk analysis of financing to domestic and foreign terrorists. ✓ Communication of the results through additional mechanisms (workshops by sector, dissemination campaigns).

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NRA Methodology 2020

Based on the methodology of the TAFT guide

Phase 1: Identification

- Recollection of qualitative information
  - ✓ SOR, IIF
  - ✓ National statistics
- Other sources of information:
  - ✓ MER 2018
  - ✓ NRA 2016 y SREs Peru
  - ✓ Regional RE
  - ✓ National studies
  - ✓ International studies

Phase 2: Analysis

- Hypothesis evaluation trough collection of additional Information:
  - ✓ Questionnaire
  - ✓ Bilateral meeting
  - ✓ Workshops
- Rating of T/V/C

Phase 3: Risk evaluation

- Risk prioritization in order to determine mitigation actions and resource allocation.

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NRA Methodology 2020

Phase 1: Identification

Threats identification

- Statistical Information in MLTF that the country has, considering the precedent crimes present in ROS, IIF, investigations and sentences.
- Questionnaire to public and private entities.
- Meeting/workshops
- Other national studies
- Other international studies

Vulnerabilities identification

- MER
- NRA 2016 y SRE
- Analysis of MLTF existing in the country
- Questionnaire to public and private entities.
- Meeting/workshops
- Other national studies
- Other international studies

Consequences identification

- Statistical – impact Information od the risks
- Bilateral meetings
- Group workshops

NRA Methodology 2020

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Phase 1: Identification of the threats

Selection of Crimes

- The crimes for which statistical information is available were selected: SOR, IIF or Complaints to the PNP
- Standardization of the nomenclature of crimes was standardized in accordance with the structure of the Penal Code.
- Resulting 20 level crimes to be evaluated as threats, some of which were evaluated in 2 levels (32 level 2 crimes).

Delito Nivel 1	Delito Nivel 2
Delitos Aduaneros	
Delitos Ambientales	Minería ilegal
	Tala Ilegal
	Otros delitos ambientales
Delitos contra el Estado y la Defensa Nacional	
Delitos contra el Orden Económico	
Delitos contra el Orden Financiero y Monetario	Delitos Financieros
	Delitos Monetarios
Delitos contra el Patrimonio	Apropiación Ilícita
	Estafa y otras defraudaciones
	Extorsión
	Usurpación
	Otros Delitos contra el Patrimonio
Delitos contra el Patrimonio Cultural	
Delitos contra la Administración Pública	
Delitos contra la Confianza y la Buena Fe en los negocios	
Delitos contra la Fe Pública	
Delitos Contra los Derechos Intelectuales	
Delitos contra la Libertad	Proxenetismo
	Trata de personas
	Otros delitos contra la Libertad
Delitos contra la Seguridad pública	Tráfico ilícito de drogas
	Otros Delitos contra la Seguridad pública
Delitos contra la Tranquilidad Pública	
Delitos contra la Vida, el cuerpo y la salud	Sicariato
	Otros Delitos contra la Vida, el cuerpo
Delitos Informáticos	
Delitos Tributarios	
Terrorismo	Financiamiento del Terrorismo
Testaferrato	
Transporte o contrabando de dinero o divisas	

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Methodology NRA 2020

Phase 2: Analysis(Threats)

Based on quantitative information

Selection of variables

- 183 variables obtained from the databases of STRs, CTRs and Complaints to the PNP
- Variables with more than 70% of null values and with a coef. corr. > 0.9
- 17 resulting variables

Transformation of values

- The aim is to standardize the variables since they have different scales (Amount, number of days, number of people, etc.)
- The Jenks algorithm is applied to classify the values in each variable within classes. Ex: Very Low, Low, Medium, High, Very High.

Hierarchy of threats

- The AHP* method was applied to rank the listed threats, based on the values of the selected variables and the experts' assessment of the relative importance between these variables.
- The result is the relative weight of each of the threats. The Jenks algorithm is applied to these weights to classify them by level of importance: Very high, high, medium, low and very low.

*Analytic Hierarchy Process

Methodology NRA 2020

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- 17 resulting variables
- 20 level 1 crimes evaluated (32 level 2 crimes)

Variable	Horizonte tempor	Peso
Monto involucrado en los IIF	1 año	13%
Monto promedio de las operaciones incluidas en ROS	1 año	9%
N° de PEPs incluidos en ROS	3 años	8%
N° de operaciones internacionales en ROS con paises listados por GAFI	1 año	8%
N° de IIF con alcance internacional	10 años	8%
N° de IIF con alcance internacional	3 años	8%
N° de paises listados por GAFI incluidos en ROS	3 años	7%
Monto promedio de las operaciones incluidas en ROS	3 años	6%
N° de denuncias ante la PNP	1 año	6%
Duracion promedio de las operaciones incluidas en ROS	10 años	5%
N° de paises listados por GAFI incluidos en ROS	1 año	5%
Duracion promedio de las operaciones incluidas en ROS	1 año	5%
N° de departamentos diferentes incluidos en ROS	10 años	3%
N° operaciones de alcance internacional incluidas en ROS	1 año	3%
N° de actividades economicas diferentes en IIF	1 año	3%
N° de productos diferentes incluidos en ROS	5 años	2%
N° de tipos de destinatario del IIF diferentes (FISLAAPD, FECOR, etc)	1 año	2%

Methodology NRA 2020

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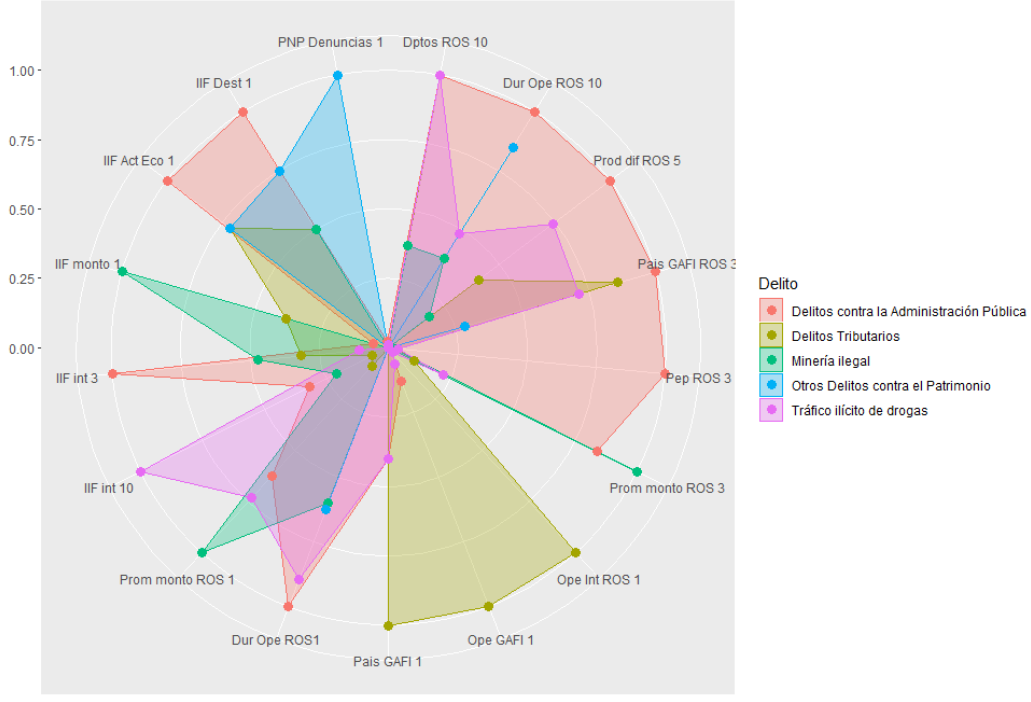

Methodology NRA 2020

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Phase 2: Analysis (Vulnerabilities)

Based on qualitative information

Hierarchy of vulnerabilities

- The AHP* method is applied to rank the listed vulnerabilities, based on the judgment of experts in workshops by working groups.
- The result is the relative weight of each one of the vulnerabilities for each work group.
- These weights obtained by working group are combined by applying a geometric average. Thus obtaining the relative weights of each vulnerability

*Analytic Hierarchy Process

Relationship between threats and vulnerabilities

- In the workshops, which vulnerabilities have an impact on each of the threats are mapped

Consolidation of vulnerabilities

- For each threat, a grouped vulnerability is calculated, as the geometric average of the relative weights of the vulnerabilities associated with the threat.
- The result is the relative weight of the vulnerabilities grouped for each threat, to these weights the Jenks algorithm is applied to classify them by level of importance: Very high, high, medium, low and very low.

Methodology NRA 2020

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Phase 2: Analysis (Probability)

		Vulnerabilidad				
		Muy Bajo	**Bajo**	**Medio**	**Alto**	**Muy Alto**
Amenaza	**Muy Alto**	Medio	Alto	Alto	Muy Alto	Muy Alto
	Alto	Bajo	Medio	Alto	Alto	Muy Alto
	Medio	Bajo	Medio	Medio	Alto	Alto
	Bajo	Bajo	Bajo	Medio	Medio	Alto
	Muy Bajo	Muy bajo	Bajo	Bajo	Bajo	Medio

Methodology NRA 2020

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Phase 3: Evaluation

- Based on the level of risks obtained from the evaluation phase, preliminary proposals for policy actions are made to prevent or mitigate risks.
- Likewise, the NRA will serve as the main input for the development of the National Plan to Combat ML and FT.

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Main Challenges and Recommendations

Highly subjective component during the process of evaluating the level of effectiveness in aspects related to the identification, evaluation and understanding of risks by a country.

Try to incorporate the greatest amount of objective quantitative information that supports the results of the risk assessment processes.

Include in the final text of the report information on the LAFT typologies for each of the threats identified.

Include aspects related to virtual assets and their providers, as well as PWMD.

Carry out campaigns to disseminate the results that ensure coverage to all sectors of obligated subjects and supervise their inclusion in their ML/TF risk identification methodologies.

Thank you

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