



FATF GUIDANCE

Money Laundering National Risk Assessment Guidance

November 2024





The Financial Action Task Force (FATF) is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. The FATF Recommendations are recognised as the global anti-money laundering (AML) and counter-terrorist financing (CFT) standard.

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Citing reference:

FATF (2024), Money Laundering National Risk Assessment Guidance, FATF, Paris,
<https://www.fatf-gafi.org/en/publications/Methodsand Trends/Money-Laundering-National-Risk-Assessment-Guidance.html>

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Acronyms

AI	Artificial Intelligence
AML	Anti-Money Laundering
ASEAN	Association of Southeast Asian Nations
CDD	Customer Due Diligence
CFATF	Caribbean Financial Action Task Force
CFT	Counter Financing of Terrorism
CFTP	Countering the Financing of Terrorism and Proliferation
DNFBP	Designated Non-Financial Business and Professions
EAG	Eurasian Group
EDD	Enhanced Due Diligence
EU	European Union
FATF	Financial Action Task Force
FI	Financial Institution
FIU	Financial Intelligence Unit
FSC	Financial Security Committee
FSRB	FATF-Style Regional Body
ICRG	International Co-operation Review Group
IDB	Inter-American Development Bank
IFI	International Financial Institution
IMF	International Monetary Fund
INR	Interpretive Note to Recommendation
IO	Immediate Outcome
IOSCO	International Organization of Securities Commissions
KPI	Key Performance Indicator
KYC	Know Your Customer
LEA	Law Enforcement Agency

MER	Mutual Evaluation Report
ML	Money Laundering
MLA	Mutual Legal Assistance
MOU	Memorandum of Understanding
NPO	Non-Profit Organisation
NRA	National Risk Assessment
PESTEL	Political, Economic, Social, Technological, Environmental, and Legal
PF	Proliferation Financing
PPP	Public-Private Partnership
R	Recommendation
RBA	Risk-Based Approach
SAR	Suspicious Activity Report
SDD	Simplified Due Diligence
SNRA	Supranational Risk Assessment
SRB	Self-Regulatory Bodies
STR	Suspicious Transaction Report
TBML	Trade-based money laundering
TF	Terrorist Financing
UNODC	United Nations Office on Drugs and Crime
VA	Virtual Asset
VASP	Virtual Asset Service Provider
WBG	World Bank Group

1. Executive Summary

Money laundering risk understanding is a foundational element on which a national AML/CFT system is built. This is reinforced by Recommendation 1 of the FATF Standards, which requires countries to “identify, assess and understand” its money laundering risks, and to take action to ensure that these risks “are mitigated effectively”.

The development of an accurate and up-to-date risk understanding is an ongoing, dynamic process for a country. A process that necessitates responding to changing environmental factors, constantly assessing new information and scanning the horizon for risks that may be emerging or materialising. Accordingly, it is important that a country takes a structured and coherent approach to developing an up-to-date risk understanding. Once such common approach for a country to take is through the conduct of a National Risk Assessment (NRA).

An NRA is a comprehensive process used by countries to identify, assess, and understand the ML and/or TF risks they face. This process involves evaluating threats and vulnerabilities, determining the level of risk, and developing strategies aligned to ML risks. This includes taking enhanced measures where risks are higher and taking simplified or lesser measures where risks are lower. While the end result of the process may or may not be a written product, the understandings reached, and follow-on actions taken are of paramount importance.

The NRA provides an evidence-based foundation for informed policymaking, resource allocation, and the implementation of effective AML/CFT measures. It ensures that national strategies are aligned with the specific risk landscape of the country and that they address both domestic and international threats to the extent they are connected to the country.

The purpose of this document is to assist countries in conducting an NRA focused on the assessment of money laundering risks. This document has been developed considering the experience of a range of countries from across the FATF Global Network in the last decade – more than 90 contributed to this guidance – and is meant to demonstrate good practices that have been used by countries to assist others in tailoring these good practices into their own national context. This document contains three sections:

- i. **Section 1: NRA Preparation and Set-up** – This section identifies the prerequisites to a successful NRA. It covers such key foundational parts of the NRA such as political commitment, an inclusive NRA mechanism, objective setting, and the acquisition of information and data. These steps are not necessarily linear steps, but all should be considered and in place before the analytical work of the NRA can begin.
- ii. **Section 2: Assessing and Understanding Money Laundering Risks** – This section provides a linear, structured approach for countries to follow in conducting their analysis of threats, vulnerabilities, and risks. There is no set methodology that countries must follow, and a country’s NRA process should have regard to its capacity, as well as its unique risk and context. However, the series of steps outlined here has been identified as a good practice
- iii. **Section 3: Post-NRA Actions** – This section identifies simultaneous practices that a country should undertake after the conclusion of the analytical process. It covers the measures that a country could take to ensure that its ML mitigation measures are commensurate with the risks identified., the communication of the NRA’s findings, and refining of the NRA process.

Introduction

Purpose, Scope and Objectives

Identifying, assessing and understanding money laundering (ML), terrorist financing (TF) and proliferation financing (PF) risks is an essential part of the implementation of a national anti-money laundering/countering the financing of terrorism (AML/CFT) regime which includes laws, regulations, enforcement and other measures to mitigate ML/TF risks. The results of a national risk assessment (NRA) should provide useful information to financial institutions (FIs) designated non-financial businesses and professions (DNFBPs) and virtual asset service providers (VASPs) to support their own assessments and risk mitigation measures. Properly understanding ML/TF risks informs and supports countries' application of AML/CFT measures that are proportionate with the risks, i.e. the risk-based approach (RBA) that is central to the FATF Standards and should assist countries in prioritisation and efficient allocation of resources.

The FATF has underlined this importance by introducing Recommendation 1 in 2012, which emphasises the need to identify, assess, understand and mitigate ML/TF risks as a fundamental basis for the effective implementation of the FATF's 40 Recommendations. In line with the revised Standards many countries have conducted NRAs to consolidate and align their ML/TF risk understanding at a national level. This has also become a key step for many countries in demonstrating their understanding of risks and improving their ability to combat ML/TF.

To assist countries in these efforts, the FATF produced guidance for conducting national ML and TF risk assessments in 2013.¹ Since then, countries across the FATF Global Network have gained substantial experience in developing NRAs, leading to the refinement of guidance and methodologies. The FATF, recognising the evolution in risk assessments, updated its TF NRA guidance in 2019² and following changes to the FATF Standards, introduced guidance on PF NRAs in 2021.³ This present guidance document updates the 2013 guidance, but addresses only ML NRAs.

An ML NRA is a comprehensive evaluation conducted by a country to identify and assess its ML risks. It involves analysing the threats and vulnerabilities of ML across a number of factors, including sectors, activities, geographic locations, client types, products and channels and developing evidence-based risk mitigation measures to strengthen the country's AML system. An ML NRA promotes a holistic approach to risk and aims to develop a baseline understanding of risk among all stakeholders involved the AML system. An NRA should encompass cross-border risks, and its impact could extend beyond the country's borders, supporting the understanding and reduction of ML in a national context, as well as an international one.

Despite marked progress in this area in the last decade, challenges persist. The FATF's Report on the State of Effectiveness and Compliance with the FATF Standards⁴ published in April 2022

¹ FATF (2013), National Money Laundering and Terrorist Financing Risk Assessment Guidance, [National money laundering and terrorist financing risk assessment \(fatf-gafi.org\)](https://www.fatf-gafi.org/publications/nationalmoneylaundering/Pages/default.aspx)

² FATF (2019), Terrorist Financing Risk Assessment Guidance, [Terrorist Financing Risk Assessment Guidance \(fatf-gafi.org\)](https://www.fatf-gafi.org/publications/terroristfinancing/Pages/default.aspx)

³ FATF (2021), Proliferation Financing Risk Assessment Guidance, www.fatf-gafi.org/content/fatf-gafi/en/publications/Financingofproliferation/Proliferation-financing-risk-assessment-mitigation.html

⁴ FATF (2022), Report on the State of Effectiveness and Compliance with the FATF Standards, www.fatf-gafi.org/content/fatf-gafi/en/publications/Fatfgeneral/Effectiveness-compliance-standards.html

showed that although compliance with R.1 increased by 24% through the 4th round follow-up process, improvements are needed particularly in data collection, stakeholder training and awareness, and effective communication of the NRA findings. The collective experience and knowledge gained from the Global Network should be leveraged, as well as the views of technical assistance providers and academics researching this topic, to promote sustainable and effective action to improve AML systems worldwide. This guidance takes forward the basic principles explored in the FATF's 2013 ML/TF NRA guidance and provides practical examples and best practices from the Global Network reflecting the decade of experience countries have developing NRAs.

This guidance draws from various sources, including inputs received from 90 countries across the FATF Global Network in two questionnaires, Mutual Evaluation Reports (MERs), published NRAs, studies from international bodies, like the World Bank Group (WBG) and the International Monetary Fund (IMF) and the results of a public consultation. It aims to provide countries with guidance and best practices on conducting ML NRA. It emphasises the importance of understanding the evolving ML risk landscape, addresses common challenges and identifies good practices in conducting NRAs with a focus on procedural and structural aspects essential for impactful risk assessments, based on the experience of countries from across the Global Network. This guidance provides a foundational concept and globally recognised principles to guide countries in their decision-making process, offering a flexible framework to facilitate a comprehensive evaluation of ML risks at a national level.

Ultimately, the objective of this guidance is to provide countries with practical advice that will enhance the effectiveness of ML NRA, driving informed decision making and resource allocation to take an RBA to preventing and mitigating the identified ML risks.

This guidance document is not a FATF Standard and is therefore not intended to designate specific actions necessary to meet obligations under Recommendation 1 and INR 1 or any other FATF Standards. Criteria for technical compliance and for assessing may be found in the FATF assessment methodology. The practices described in this guidance are intended to serve as examples that may facilitate implementation of obligations in a manner compatible with the FATF Standards.

This guidance has been drafted with the goal of catering to the diverse needs of countries, recognising those needs will vary depending on the maturity level of the risk assessment mechanism of each country. Consequently, the guidance aims to provide the key concepts and activities that countries have sought guidance on, with adequate support and practical tools that can respond to country needs depending on whether the country is in the initial stages of preparing its first NRA, or it already has a well-established and effective mechanism in place. The guidance aims to promote that all countries, can effectively identify, assess and understand their risks, recognising that the level of detail and complexity will vary based on a country's risk and context. The guidance is designed to offer flexibility, ensuring relevance and applicability across the Global Network.

The guidance includes selected good practices from a wide variety of countries across the FATF Global Network. Countries with less mature NRA processes often face challenges in developing their NRA. Many of these countries are in the earlier stages of establishing a culture of ongoing risk assessment and may encounter obstacles such as limited resources, insufficient data and lack of experienced personnel. Recognising these difficulties, the guidance outlines key strategies to ensure the NRA is effective, providing tailored recommendations to address specific challenges

faced. The diversity of good practices showcases how countries with different risks and context, legal systems, and maturity of AML measures have had success in implementing aspects of the Recommendation 1.

Core FATF Obligations⁵ Related to ML NRAs

This section outlines the FATF's requirements for identifying and assessing ML risk at the country level. A key component of the FATF Standards is understanding ML risks and the RBA, which requires countries to tailor their AML measures according to identified risks. The following FATF Recommendations are core to ML NRAs:

- **Recommendation 1 (R.1):** R.1 identifies that "Countries should identify, assess, and understand the money laundering and terrorist financing risks for the country, and should take action, including designating an authority or mechanism to coordinate actions to assess risks, and apply resources, aimed at ensuring the risks are mitigated effectively".
- **Interpretative Note to Recommendation 1 (INR.1):** INR.1 clarifies that countries should take steps to identify and assess their ML risks on an "ongoing basis" to: (1) inform potential changes to the country's AML regime, including changes to laws, regulation; and (2) assist in the allocation and prioritisation of AML resources by competent authorities. Countries should have a mechanism to provide information on the results of the risk assessment(s) to all relevant competent authorities and self-regulatory bodies (SRBs), FIs, and DNFBPs
- **Recommendation 2 (R.2):** R.2 identifies that, "Countries should have national AML/CFT/CPF policies, informed by the risks¹ identified, which should be regularly reviewed, and should designate an authority or have a coordination or other mechanism that is responsible for such policies."

Structure

This guidance is structured in three sections:

Section 1: NRA Preparation and Set-up – This section identifies the prerequisites to a successful NRA. It covers such key foundational parts of the NRA such as political commitment, an inclusive NRA mechanism, objective setting and the acquisition of information and data. These steps are not necessarily linear steps, but all should be considered and in place before the analytical work of the NRA can begin.

Section 2: Assessing Money Laundering Risks – This section provides a linear, structured approach for countries to follow in conducting their analysis of threats, vulnerabilities and risks. There is no set methodology that countries must follow, and a country's NRA process should have regard to its capacity, risk and context, but this series of steps has been identified as a good practice.

⁵ There are numerous other parts of the FATF Standards that involve the risk-based approach, such as R.15/INR.15, R.10, R.24/25 and INR.24/25, R.26 and R.28. This section refers to parts considered to be core to ML NRAs.

Section 3: Post-NRA Actions – This section identifies parallel practices that a country should undertake after the conclusion of the analytical process. It covers the measures that a country could take to ensure that its ML mitigation measures are commensurate with the risks identified, the communication of the NRA's findings and refining of the NRA process.

Methodology

This update to FATF's ML guidance was co-led by Mexico and Hong Kong, China, with input from a project team of 33 FATF and FATF-Style Regional Bodies (FSRB) members, and observer organisations.⁶

This guidance incorporates input from a number of delegations within the FATF Global Network on their experiences, challenges and good practices in assessing ML risk. 59 delegations provided responses to the first questionnaire and 70 delegations to the second follow-up questionnaire, which sought input particularly on the main challenges and lessons learned in all of the key areas outlined above. The FATF Secretariat also conducted a review of NRAs from 69 FATF and FSRB members and MERs from across the Global Network.

The project team sought input from the private sector through the FATF's Private Sector Consultative Forum in April 2024 and through a public consultation in July 2024. The public consultation posed questions related to the involvement of the private sector in the NRA process, including best practices for requesting private sector feedback and outreach to private sector stakeholders on the findings of the NRA. The project team received 501 responses to the public consultation, from a variety of different sectors including financial institutions, DNFBPs, academics, non-profit organisations (NPOs) and consultants.

Key Concepts Relevant to Assessing and Understanding ML Risks

Risk occurs when a threat successfully takes advantage of a vulnerability to produce a consequence. The below definitions explore how this relates to ML risk.

- A **threat**, in general, is a person, group or activity with the potential to cause harm to the state, society or the economy. In the ML context this refers to criminal individuals, groups or entities and their facilitators seeking to conceal the illicit origins of funds through past, present and future ML activities (and not the predicate offences themselves). The threat assessment typically serves as an essential starting point in developing an understanding of ML risk. For this reason, understanding the environment in which predicate offences are committed and proceeds of crime are generated to identify their nature, size and volume is important to carry out an ML risk assessment. In some instances, certain types of threat assessments might serve as a precursor for a ML risk assessment.

⁶ Bahrain, Bhutan, Brazil, Canada, Cayman Islands, Caribbean Financial Action Task Force (CFATF) Secretariat, China, Eurasian Group (EAG) Secretariat, European Commission, Egmont Group, Finland, France, Greece, Inter-American Development Bank (IDB), International Monetary Fund (IMF), India, Ireland, Israel, Italy, Kyrgyzstan, Luxembourg, Portugal, Saudi Arabia, Singapore, South Africa, Spain, Sweden, United Arab Emirates, United Kingdom, United States, United Nations Office on Drugs and Crime (UNODC), Uzbekistan, World Bank.

- A **vulnerability** can be exploited by the threat or may support or facilitate its activities. In the ML risk assessment context, looking at vulnerabilities as distinct from threat means focusing on, for example, the inherent features of a particular sector, a financial product or type of service that make them attractive and feasible for ML purposes. Certain inherent characteristics of a country can also make it vulnerable to ML including a large financial, trade, or company formation sector. Vulnerabilities may also relate to a weakness in law, regulation, supervision, or enforcement. For example, deficiencies in AML controls, as well as non-compliance or partial compliance of national legislation with the requirements of the FATF Recommendations will impact the vulnerabilities in a country. Countries may include the adequacy or quality of AML controls in vulnerability assessment or focus their vulnerability assessment on inherent vulnerabilities and assess controls as a standalone component of ML risk.
- A **consequence** refers to the impact or harm that ML may cause and includes the effect of the underlying criminal activity on financial systems and institutions, as well as the economy and society at large. These consequences can be both domestic and international in scope, reflecting the far-reaching nature of ML activities. The consequences of ML may be short or long term in nature and relate to harm to populations, specific communities, the business environment and national or international interests. It can also undermine the reputation and attractiveness of a country's financial sector. Countries might focus on gaining a comprehensive understanding of their threats and vulnerabilities while considering the potential consequences as part of their overall risk assessment. This approach allows for effective prioritisation of mitigation efforts and helps in strengthening the resilience of financial and economic systems against the impacts of ML.

Other important key terms, relevant to conducting risk assessment are defined below.

- A **national ML risk assessment** is a process based on a methodology, agreed by all parties involved, that attempts to identify, analyse and understand ML risks and serves as a first step in addressing them. While assessments may take different forms, a ML risk assessment should cover threats (including predicate offences, characteristics of those committing predicate offences and ML offences) and vulnerabilities (including sectors, channels, geographic location, client type, products and services, deficiency or weakness of laws, regulations, supervision and enforcement) to come to conclusions about the risks at national level. The risk assessment should be a starting point to inform the national strategies and policies, development of an action plan and prioritisation of risk mitigating measures and resource allocation to strengthen the AML system in line with the risks identified.
- A **risk-based approach** (RBA) means that countries, competent authorities, financial institutions and DNFBPs identify, assess and understand the ML risk to which they are exposed, and take the appropriate and proportionate mitigation measures in accordance with the level of risk. This includes taking enhanced measures where risks are higher and taking simplified or lesser measures where risks are lower.
- **Risk mitigating measures** are actions, controls or strategies implemented to manage the identified ML risks. Risk mitigating measures can include legislative, regulatory, supervisory, law enforcement, or other administrative actions taken to mitigate risks within the national AML framework.

Section 1: NRA Preparation and Set-up

While an NRA is, at its core, an analytical process, there are a few critical prerequisites that a country needs to have in place before beginning a successful NRA. The steps covered in this section are not explicitly covered by the FATF Standards but are necessary steps to undertake to perform what is required by the FATF Standards. They are not linear; they should all ideally be in place before the NRA begins. The critical prerequisites are covered in this section and include:

- i. Political Commitment to Conduct the NRA
- ii. An Inclusive, National Mechanism to Assess Risk
- iii. Appropriate Scoping and Objective Setting
- iv. Collection of Information and Data

There is no “one-size-fits-all” approach to the NRA, and countries are encouraged to take an approach that is appropriate to their capacity, risk and context. While countries should calibrate the NRA to their context, these steps remain prerequisites to a successful NRA regardless of the country’s capacity, risk and context.

Political Commitment to Conduct the NRA

Political commitment to the NRA process is crucial for a successful risk assessment process. Political commitment demonstrates that the NRA is a priority for the country – senior government officials may publicly endorse the process and express their support for it, highlighting its importance and raising awareness among stakeholders. An indicator of strong political commitment can be seen when the NRA coordinator and/or working group are empowered and all experts involved in the process are given the appropriate level of autonomy and protection to do their jobs effectively.

Such support should help bring the right subject matter experts across policy, law enforcement, Financial Intelligence Unit (FIU), supervisory, regulatory, sanctions and other competent authorities together if they are not already collaborating on AML/CFT policies and priorities. It can facilitate and encourage coordination among the various government agencies involved in the process and improve information sharing, communication and collaboration.

High-level political commitment ensures that resources and budget are dedicated to the process across all involved agencies, to ensure NRA timelines are respected and to avoid excessive staff turnover that may disrupt the process. This can also include investment in technological solutions to facilitate parts of the process and improve consistency through future iterations. One example of this is investment in data collection tools, which can improve the accuracy and reliability of NRA findings and allows the country to not have to rely on external sources. Political commitment can also aid coordination and cooperation at an international level when conducting ML risk assessments.

Box 1. Statistics on High-level Political Commitment

According to the responses received to the project questionnaires, many countries encountered challenges in coordinating the national risk assessment. Some of these issues raised by countries could be linked to a lack of political commitment at the highest levels, including lack of national coordination (35%), limitations in budget, resources or technical solutions (21%) and lack of commitment from those involved (9%).

In a survey by the World Bank⁷ among a diverse group of country experts involved in NRAs, 9% of the respondents indicated that a lack of political commitment was a significant impediment to the quality of their NRA. In the same survey, according to more than 60% of participants, most significant challenges were linked to lack of political commitment, such as difficulties obtaining resources, coordination problems and lack of empowerment of the NRA working group.

An Inclusive National Mechanism to Assess Risk

The FATF Standards require that countries should identify, assess, and understand ML risks at a country level by “designating an authority or mechanism to coordinate actions to assess risks, and apply resources, aimed at ensuring the risks are effectively mitigated.” The FATF permits flexibility for countries to adopt approaches to this based on their context and does not require the creation of a permanent body to develop the NRA. However, any chosen mechanism should promote good cooperation, coordination and participation of a wide range of national authorities to secure a comprehensive risk assessment. The most robust and effective countries demonstrate importance of regular meetings of those involved to make sure the NRA drafting is progressing in line with established timelines. Ideally, countries see the benefit of NRA processes and risk updates would be shared across participants even between NRA updates.

⁷. Figure.7,
<https://documents1.worldbank.org/curated/en/099052110042330899/pdf/IDU0c1b39c8c0bfd604cf608ad40de3e4e0e24b8.pdf>

Table 1 shows some factors that countries can consider when setting up either a permanent or temporary NRA mechanism.

Table 1. Factors to Consider: Permanent and Temporary Mechanism

Permanent mechanism	Temporary mechanism
Promotes consistency and replicability across different iterations.	Gives for more flexibility in risk-based resource allocation, which is especially important for countries with lower capacity.
Helps foster good inter-agency coordination through building longer-term relationships with people and facilitating information sharing.	Allows countries that already have good inter-agency coordination to maintain it even in the absence of a permanent mechanism.
Allows participants to develop experience and knowledge in the NRA process and methodology.	Allows for other perspectives and points of view, makes sure the process does not stagnate and changes can be made, do not get "stuck in their ways".
Helps build institutional memory and expertise, making easier to assess the changes that have occurred throughout NRAs.	Can result in loss of expertise and disconnect with past risk assessments, especially if the staff turnover in agencies is high.
Ongoing overhead and cost.	

Box 2. Mixture of Permanent and Temporary

Italy

In Italy, the Financial Security Committee (FSC), comprising representatives of all relevant public authorities and administrations, maintains both a permanent coordination mechanism and a temporary dedicated team led by the Ministry of Economy and Finance. The permanent mechanism facilitates ongoing information exchange and monitoring, while the temporary team focuses on conducting risk assessments during NRA updates. This dual approach combines some of the benefits of a permanent mechanism in that it facilitates ongoing information exchange and monitoring, and the benefits of a temporary team in that it allows experts to dedicate their time towards shared goals over a short period.

Countries may choose to take a top-down or bottom-up approach to conducting the risk assessment, but often a combination of the two has been observed as being the most effective method for developing a comprehensive NRA. In a top-down approach, risk assessment begins with a high-level perspective and identifies broad categories of factors that may impact the country's ML risks. It should be used to inform high-level strategies and actions such as budget allocation. A bottom-up approach relies more on industry level, sectoral and thematic risk assessment findings combined with the experiences of subject matter experts and operational level employees from competent authorities to inform the direction and scope of the NRA. It can help identify the likelihood of certain risk events occurring and support changes in procedures and controls at an operational level and identify key sector specific vulnerabilities. These approaches may begin to interact organically depending on the maturity of a country's process and mechanisms.

NRA Leadership

Irrespective of the approach taken, countries should establish who will lead the process, whether it will be the responsibility of one agency or working group, or multiple agencies. Importantly,

countries should invest in leadership and find the right person/people to lead the process, ensuring they have necessary expertise in the FATF Standards, ML risk and the risk assessment process.

- **Single agency or working group** – Most countries that responded to the questionnaire identified their National AML/CFT Committee (or working group sub-set) as being the dedicated coordination authority to assess risks. Some countries cited the governing ministry or agency, for example the FIU, Ministry of Finance, or Ministry of Justice.
- **Multiple agencies** – Several countries cited more than one agency as having responsibility for leading the process. This requires strong coordination between agencies and a clear designation of roles and responsibilities, including procedures for decision making.

In considering whether a single agency/working group or multiple agencies constitute the NRA leadership, countries should also give regard to the individual(s) who will hold these leadership positions. These individual(s) require a cross-AML regime perspective, the ability to work with individuals from different competent authorities and the private sector and should have adequate seniority to inform senior policy makers of the process and its outcomes.

Involvement of all Relevant National Stakeholders

A comprehensive assessment of ML risks will require involvement from key authorities across operational, policy and supervisory functions. The specific characteristics of the AML system will differ by country, including the mandates, objectives, powers and titles of the key operational authorities. Some key authorities include intelligence and security agencies, police, border security, prosecution authorities, the FIU, anti-drug authorities, anti-corruption authorities, customs, supervisory and regulatory authorities and foreign counterparts (i.e., national agencies in other countries). Regional authorities may also be involved, depending on the size and make-up of the country. Numerous other competent authorities may hold relevant information, including tax authorities, statistics departments and trade and commerce regulators. Depending on the country context, involvement of financial inclusion policy makers should also be considered.

The involvement of all relevant competent authorities is key to the success of the NRA process to foster strong national cooperation, several countries have established an interdepartmental and multi-agency NRA Committee to coordinate and integrate all relevant targeted national, sectoral and industry risk assessments. Based on Global Network responses to the project's questionnaires, it could be beneficial for a country to establish a defined decision-making forum, which has clear terms of reference, clearly outlining the roles and responsibilities of lead agencies and other participating entities. It could serve as a centralised body to oversee the NRA process, ensuring that it remains comprehensive, current, and reflective of the multifaceted threats the country faces. Additionally, the forum should delineate the decision-making hierarchy for various types of decisions, specifying which ones require escalation for consensus-building or for addressing divergent views.

Lastly, thought should be given to the diversity of NRA team itself, not only based on the agencies represented or professions of key constituents. Ideally, the team would also reflect age, gender, and identity diversity. This enriches the experience and knowledge base of the team and brings perspectives and ideas that may be otherwise be excluded.

Involvement of Non-governmental Stakeholders

While a ML risk assessment is an overall government assessment, countries should be encouraged to involve other non-governmental stakeholders with subject matter expertise, where appropriate. Such stakeholders and engagement may include, but is not limited to: FIs, DNFBPs, VASPs, civil society and academia. Some countries also include experts in risk assessment from outside of the AML world, and scientific or data experts to strengthen their approach to the NRA.

Involving non-governmental stakeholders can supplement or validate information from LEA and supervisors to detail what is occurring in practice. It also allows the consideration of private sector expertise on financial transactions, expertise about how products and services are used legitimately as well as misused for ML, industry practices and emerging threats. It can also help avoid an over or under generalisation of risk and prevent unintended consequences where the nuance of a certain product or sector are not more carefully considered.

Engaging non-governmental stakeholders can happen at any stage of the process — early, middle or end. Involving FIs, DNFBPs, VASPs, and civil society early in the process and on a continuous basis can mean the product is more impactful and useful to all stakeholders. Developing strong working relationships and building trust can ensure honest feedback and result in a willingness to share information.

Engaging with a representative sample from the sector (e.g., different services, different size of entity), including through the relevant supervisor is also important. Tailoring private sector outreach could be considered, as different approaches may be more effective depending on the size and maturity of each FI and DNFBP sector. Countries could engage non-AML specific industry bodies and work with them on how best to reach different parts of sectors and use their connections to give confidence that any responses they share with the NRA team will not be used against them in their supervisory assessments.

Countries may seek access to institutional risk assessments or other material from reporting entities or send out surveys or questionnaires to gain feedback and data. It is a good practice to have a standardised template to facilitate the analysis of the information received. Countries can also obtain input and feedback through interviews, roundtable sessions or meetings, and participation in public-private partnerships or other private sector forums.

Box 3. Involvement of Private Sector in NRA

United Kingdom

In between NRAs, the UK hosts public private threat groups on priority areas that produce public-private threat alerts. Once the NRA process formally begins, the UK sends questionnaires to firms in the regulated sector to seek their perspectives on how the risks have changed since the last NRA. These are circulated via industry bodies, not AML supervisors, to give firms confidence that they can respond honestly, without risk of supervisory intervention.

Private sector contribution is also sought through NRA workshops with each sector. A diverse group of firms for each sector are invited (for example diverse in size and sub-sector) to engage in more detailed discussions on key themes from questionnaire responses. This includes areas where private sector views diverge from those of supervisors or law enforcement. The questionnaire and summaries of workshop discussions are included as one of the range of data sources used in drafting the findings of the NRA.

Ensuring the NRA Reflects Current Risks

The FATF Standards require countries to maintain an up-to-date understanding of risks to take into account the evolving ML landscape. The Standards allow flexibility in how and how often this is done, recognising that countries should update in line with their risks, context, and capacity. Countries should take an RBA to updates in terms of schedule and scope and can prioritise high-risk themes or sectors for targeted updates or further study. Updates should be communicated in the same way as the NRA, to ensure a comprehensive and up to date understanding among stakeholders.

The NRA should not be regarded simply as a static document, but as a continuous process. While the analysis usually results in the creation of a formal NRA document, this document represents a snapshot of the country's risk situation at a specific moment in time. Countries should manage the NRA as a dynamic continuous process, constantly identifying emerging threats, managing residual risks and assessing the effectiveness of risk mitigation measures. This also allows findings from the previous NRA to be easily carried over into the new iteration. For example, some NRAs include an evaluation of the previous NRA and lessons learned to inform future NRAs, demonstrating that it is considered as an ongoing exercise.

While there is no requirement for countries to use data collected over a particular length of time in their NRA, data should span a sufficient time period and be current enough to provide an up-to-date, accurate and comprehensive view of its risks. This will vary depending on how frequently a country updates its NRA and if it conducts targeted updates and other risk assessment activities between NRA updates.

Box 4. Statistics on Timeliness of NRAs

The majority of countries (53%) that responded to the project questionnaire update their NRA every 2-3 years, and 27% update when there is a change in the risk landscape. The World Bank found that in practice, the average length of time between NRA updates in the countries they studied was 3.5 years.⁸

Some countries have legislation dictating the frequency at which they must update their risk assessment, and often there is a supplementary requirement to update the risk assessment if the risk landscape changes. The key is to have a mechanism that allows the country to take an agile approach that allows for quick adjustments to enhance risk understanding in case of changes to their risk situation, and to have ongoing discussions on a national level about risk, outside of any schedule they have for updating the NRA in legislation or otherwise. The statistics below emphasise the need for countries to see risk assessment as a continuous process that is constantly being reviewed, revised and updated.

Box 5. Statistics on Timeliness of NRAs

Research by the World Bank⁹ found that completing the NRA too close to the on-site visit for the ME can limit the time available for risk-based policies to be introduced. According to the World Bank's study, of the 26 countries where this time span between completing the NRA and the onsite visit is three months or less, 17 had deficiencies identified in their risk-based national policies and strategies, which may imply that these countries had insufficient time to reflect the NRA results to national policies and strategies.

One benefit and purpose of conducting the NRA is to establish mitigation strategies or action plans with clear risk-based objectives and timeframes for implementation (discussed in detail in Section 3). The timing of the NRA and stage of the implementation of the risk mitigating measures based on the NRA findings materially affect the effectiveness of a country's AML framework.

Scoping and Objective Setting

All parties involved in the NRA process should agree on the purpose and scope of the NRA before it begins. It is important to clarify from the outset the reason for conducting the NRA, the questions it should answer, the criteria that will be used to answer those questions and possible decisions that the NRA will inform. Countries should establish the target audience(s) early in the process and reflect throughout to guarantee the outputs are relevant for all stakeholders. They should also

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<https://documents1.worldbank.org/curated/en/099052110042330899/pdf/IDU0c1b39c8c0bfd604cf608ad40de3e4e0e24b8.pdf>

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<https://documents1.worldbank.org/curated/en/099052110042330899/pdf/IDU0c1b39c8c0bfd604cf608ad40de3e4e0e24b8.pdf>

consider that ML risk assessments should serve as input to a national AML strategy or strategies as part of the country's domestic AML co-ordination process.

The scope should be clearly defined and referred to throughout the process, and the country should ensure that it encompasses all relevant sectors, geographic areas, and illicit activities in line with the defined objectives. The scoping process also involves identifying the key stakeholders and determining the appropriate methodologies and data sources to be utilised. Effectively scoping the NRA ensures that resources and efforts are committed in a focused manner, thereby maximising the efficiency of the assessment.

Actions to Take Before Starting NRA

For countries with existing NRAs, a first step is to analyse the previous NRA and other risk assessment materials (e.g., thematic or sectoral risk assessments). Countries may find it useful to do this immediately after the NRA is published, while the information is still fresh in the minds of all stakeholders, or this exercise can be done as a handover note to future coordinators of the country's NRA. This feedback and direction will ensure that future NRAs are more robust and should answer:

- i. Process – Were the methodology and scope appropriate? Were there issues with data collection that could be resolved for the next iteration? Were all relevant authorities and other stakeholders involved? Did the country experience any difficulties developing risk understanding in the private sector? Were there any difficulties with the selection and implementation of risk-mitigation measures? Was there need for further alignment with national AML strategies?
- ii. Content and findings – e.g., Has the risk landscape changed and are there new threats and vulnerabilities to include? Which vulnerable areas have seen the introduction of risk mitigating measures? What data was lacking that could help draw conclusions on risk?

A good practice is to do a stocktake of available information and a gap analysis to see where data might be lacking. Stakeholder mapping is also useful for obtaining data at a national and international level. It is advisable to do this on an ongoing basis.

Many countries that responded to the project's questionnaires indicated that they took the following steps that yielded positive results:

- i. Studied the NRAs of neighbouring countries or supranational risk assessments (where available) before beginning their NRA.
- ii. Consulted experts from other countries that were rated highly or substantially effective on IO.1 in their MER.
- iii. Consulted reports from international organisations, news media other members of civil society, especially to identify new and emerging threats.

To keep the NRA process on track, countries should create a project plan with timelines, key milestones and deadlines throughout the process. Countries that have already undertaken an NRA can use lessons learned from their own experience, or that of other countries, to adjust their timelines for future iterations. The timeline should be based on the last experience building on the actual time spent by individuals and agencies on the various activities that make up the NRA process to develop more realistic and achievable timelines and goals. Tasks should be allocated to specific

people/departments and there should be an ongoing project monitoring mechanism to keep the process on track.

Scope of NRA

A key consideration when deciding on the scope of an NRA is to determine whether ML and TF risks should be assessed separately or together. More information to help countries make this decision is in Table 2 below.

Table 2. ML/TF Assessed together or separately

The risk of ML/TF is assessed together	ML/TF risk is assessed separately
Preventive systems in some countries are similar.	Different agencies and data sets are involved.
Allows countries to leverage collective ML/TF knowledge.	Different modules of the methodological tool are used.
More efficient when involving the same dataset.	Allows for greater flexibility when it comes to updating specific sections or delving into specific topics.

Source : Project questionnaire Responses – November 2023

Box 6. Statistics on Scope of NRA

The project's questionnaires asked countries whether they assessed their ML and TF risks separately or together. 60% of responding countries conducted separate assessments, while 40% opted for combined assessments.

Different Types of Risk Assessments and their Interactions

The NRA should provide countries with a baseline understanding of their ML risks and help them to identify areas for policy focus. Many countries in the Global Network, undertake other risk-related work to supplement the findings of the NRA and develop risk understanding. Countries can also conduct sectoral risk assessments and thematic risk assessments, or other research related to risks to complement the information contained in the NRA, e.g., strategic analysis from FIUs, threat actor assessments by law enforcement or intelligence offices, thematic research from IFIs and independent research institutes and studies by supervisory authorities. Updating risk assessments in this way can involve fewer resources and less burdensome coordination with all agencies and stakeholders and allows for a "deep dive" into certain sectors, services or themes to gain a deeper understanding of risks. This allows a progressive approach to be adopted to promote more optimal use of resources, particularly in resource-limited or lower capacity situations.

Some international bodies such as the European Union (EU) and FSRBs have conducted supranational risk assessments identifying the ML risks across multiple countries or member states, which can assist countries when conducting their own risk assessment, especially concerning risks specific to the region and cross-border threats. Larger jurisdictions or those with overseas territories may also conduct sub-national risk assessments, which provide detailed information on a particular region within the country and can be particularly useful for border regions or other areas with certain characteristics that could make them more vulnerable to ML.

Countries should also consider the findings of risk assessment work done on an institutional level by FIs and DNFBPs, and other risk-related work done by the national authorities, e.g., trends and typologies reports.

Countries should aim to undertake risk assessment activities that complement each other as they all have distinct subjects, objectives and deliver different outcomes, as outlined in Annex A. They should also take an RBA, i.e., by prioritising highest-risk areas for sectoral/thematic risk assessments. It is important that these risk assessments are undertaken as part of the broader AML strategy to enhance the country's risk understanding as they become less beneficial when done in isolation.

A combined approach involving the development of an NRA which is supplemented by other kinds of risk assessment can help develop a more thorough understanding of risk among stakeholders. Including the findings of all risk assessments conducted in the NRA makes it more comprehensive and up-to-date and can support the implementation of more effective risk-mitigating measures. Countries can take the following actions to incorporate the findings into the NRA:

- **Standardising aspects of their risk assessments** – Countries should take steps to standardise methodologies and risk ratings to ensure that all risk assessments are comparable and easily integrated into the NRA.
- **Compiling data** – Compiling and integrating data collected in the development of the various risk assessments into a centralised, national level database gives a holistic view of data related to ML across different sectors, themes, countries and levels of administration.
- **Cross-referencing risks** – Doing a variety of risk assessments which involve different stakeholders allows the authorities to cross-check their understanding of risk in different areas and address any discrepancies. Do industry level risk assessment findings correspond with the findings of the sectoral risk assessment conducted by the government? If there are differences, the government can investigate why this might be (e.g., lack of private sector involvement in the NRA or change in risk landscape between assessments).

Ensuring that sensitive information is kept confidential throughout the NRA process is important for maintaining trust among all stakeholders and protecting information. Countries may have concerns about involving non-governmental stakeholders for confidentiality reasons. To combat this, countries can develop legal frameworks and procedures on the use and transfer of sensitive information during the NRA process and/or require that all participants sign a non-disclosure agreement. Countries should also have systems in place to protect data from unauthorised access, e.g., encrypted databases and communication channels.

Equally, countries may have concerns about involving non-governmental stakeholders based on a perception that such stakeholders may downplay risk or vulnerabilities to result lower levels of regulation. It is important to contextualise the information that's provided with other sources of information, such as that provided by LEAs, supervisors, intelligence information and the FIU.

Collection of Information and Data

Data collection plays a role in every step of the NRA process, providing the necessary information to identify ML risk factors, forming the foundation for the subsequent analysis and evaluation. Data collection methods will depend on the size of the country, the quality of its national coordination and information-sharing mechanisms, and its capacity and resources dedicated to the process.

Data can be divided into two categories: quantitative and qualitative.

- **Quantitative data** refers to numerical, measurable information that can be expressed in terms of quantities or amounts. Quantitative data is important as it enables the drawing of objective conclusions based on numerical evidence. Examples include statistics on numbers of suspicious transaction reports received and disseminated, investigations, prosecutions, convictions, quantities of proceeds of crime confiscated, statistics on offenders, statistics on supervisory enforcement actions, etc. Quantitative information provides a good evidence base and ability to monitor trends, but lacks the contextual information needed to interpret the underlying causes and implications of the data.
- **Qualitative data** refers to non-numerical, descriptive information. For example, interviews with LEAs, supervisory authorities, and supervised entities yield mainly qualitative data. Case studies, expert opinions, and observations from various agencies including LEAs are also frequently used in NRAs. Existing typologies or trend analysis is also valuable. Qualitative data provides valuable insights into the perceptions, attitudes, and experiences of key stakeholders and helps in identifying gaps, weaknesses, and areas for improvement. Qualitative data can help explain the trends and patterns observed in quantitative data.

Both quantitative and qualitative data should be considered to provide a more accurate picture of the country's risks. For example, if no STRs have been reported by a sector it may appear as though that sector is low risk. However, qualitative information may tell us that a sector does not understand its reporting obligations or has only recently begun reporting, meaning the risks may be higher than the quantitative data would suggest.

Accuracy, consistency, and a critical approach to data sources are essential for effective data management and analysis in assessing risks related to ML. Below are several data considerations countries should consider:

- As it is likely that data is coming from a wide range of sources, it is recommended that information that overlaps is cross-checked to create the most accurate picture possible.
- Countries should also consider the level of confidence they have in the reliability of each data source and avoid taking data at face value. This process could help countries establish potential data gaps.
- Countries should ensure that the data they use is comparable and uniform over time periods, e.g., always using calendar year versus fiscal year.
- In cases where statistics may be limited – particularly in countries with few cases related to predicate offences or types of ML – countries should exercise caution. Even if statistics are available, the sample size and data quality may limit the statistical meaningfulness.
- A lack of data does not necessarily equate to a lack of risk and could indicate a heightened risk if it is indicative of a vulnerability within a country's AML/CFT framework.

Countries should keep track of areas where they have data gaps or procedural issues and improving these issues over time with each subsequent NRA. Developing a robust data collection process takes time and should not be rushed, as doing so could result in poor quality and misleading data.

Eighty percent of countries that responded to the project questionnaires indicated that they had experienced some challenges with data collection in the NRA process. Investing in a consistent and ongoing approach to data collection is important and can lead to resource savings in the long run as the process evolves and gets easier and quicker for each iteration. Countries should strive to use lessons learned from their NRA to improve and standardise their data collection processes. Some good practices for data collection from the Global Network are displayed below in box 7.

Box 7. Good Practices in Data Collection

Greece

In the context of the implementation of the national action plan to combat ML/TF, the National AML/CFT/CPF Strategy Committee established a Working Group for the recording of the statistical data required to be kept at the national level for the prevention and combating of ML/TF, and the evaluation of the mechanism.

The findings of the working group became the basis for a project to facilitate the digital collection of statistical data. Greece created a digital platform, in which the public authorities involved will register the statistical data that they maintain, and which relate to the prevention and suppression of ML/TF.

In this way, the Central Coordinating Authority of the MoF can automatically gather the complete and updated statistical data kept by all competent authorities. The General Secretariat of Public Sector Information Systems of the Ministry of Digital Governance is the project promoter and provides technological support for the ongoing project which is funded by the EU Resilience and Recovery Fund.

Finland

Finland employed a multifaceted approach to data collection for the 2023 update of the NRA, leveraging a Software as a Service (SaaS)-based risk management solution. This advanced platform facilitated the gathering of quantitative data from supervisory, legal, and enforcement authorities (a total of 17 organisations), as well as risk assessment questionnaires addressing individual sectoral risks and a comprehensive risk matrix. The software further enabled the easy analysis and visual presentation of the collected and analysed data, enhancing the overall efficiency and effectiveness of the NRA update process.

The World Bank's Illicit Financial Flows Data (IFFD) Collection Tool

The World Bank's generic NRA Tool included a simple Excel template (Module 1.B) to help countries extract some key facts and figures from each money laundering case, such as the characteristics of each case (i.e. self-laundering vs. professional laundering, domestic vs. international), as well as sectors, products, assets, legal persons, and countries involved in each ML case. Considering the importance continuous collection of such data for understanding of proceeds of crimes, and ML risks, WB later developed a simple data collection tool for continuous and systematic data collection on proceeds of crimes and illicit financial flows in a jurisdiction. This tool aims to establish a proceeds of crimes data collection in countries. It helps building a national database of proceeds of crimes, generating statistics on main ML patterns and trends in the jurisdiction. The IFFD Tool is freely available to country authorities and researchers upon request.¹⁰

Data Sources

Below is a list of data sources that can be used to inform the NRA, along with the information these authorities hold.

- **LEAs** play a critical role in combating money laundering by conducting criminal investigations and enforcing the law. They provide data related to predicate and money laundering offences, including the number of seizures and confiscations, published typologies, and statistics. While predicate offences often serve as the starting point for assessing money laundering threats, it is important to note that the threat also encompasses individuals committing the offence. Therefore, law enforcement data collection should also include insights from the criminals' perspective to understand their modus operandi and identify emerging trends.
- **Judiciary and prosecution authorities** provide data on judgements related to predicate and money laundering offences, as well as statistics on prosecutions and convictions. This data is essential for understanding the effectiveness of the legal framework and mitigation measures used in combating money laundering and terrorist financing and identifying areas for improvement. They can also provide cases which give more detailed qualitative information and provide useful context. The data from these authorities may also be helpful in assessing some geographic and demographic factors related to ML risks.
- **FIUs** play a pivotal role in the AML ecosystem by collecting, analysing, and disseminating financial intelligence. They provide valuable quantitative data such as Suspicious Transaction Reports (STRs)/ Suspicious Activity Reports (SARs), and qualitative analysis of transaction reports. Additionally, FIUs collaborate with other countries through MOUs to share critical financial intelligence and maintain statistics on formal and informal international information exchange. Frequently, they also conduct strategic analysis including produce reports on trends and typologies which should be leveraged during the NRA process.
- **Supervisory authorities** are responsible for overseeing the compliance of FIs and DNFBPs with AML regulations. They contribute qualitative data from both onsite and offsite examinations and other risk assessments including statistics on supervisory and enforcement activities. They also provide risk assessments that collect information on inherent risks and controls from regulated entities. Furthermore, they provide summaries of prudential and AML reporting requirements, and measures taken to mitigate ML/TF risks which offer insights into the regulatory landscape. The data from the supervisory authorities is also important to assess relative importance and materiality of sectors.
- **National security and intelligence agencies** often have access to sensitive information and intelligence that can provide valuable insights into emerging threats, transnational criminal networks, and evolving ML typologies. Their understanding of geopolitical dynamics and national security concerns can help

¹⁰ https://thedocs.worldbank.org/en/doc/3ea7ffa49269e60ed6fb1a87507bb-0430012022/related/IFFD-Tool-Brochure.pdf?_gl=1*1wwez4*_gcl_au*MTUyNTQyNzUxNy4xNzI0NjA5OTM0

identify ML risks that may arise from cross-border financial flows, sanctions evasion, and the exploitation of international conflicts.

- **National statistical agencies** offer quantitative data that provides a broader economic context for risk assessment. This may include data on the share of the economy attributed to specific sectors, national accounts, trade data, financial inflows/outflows, and other economic indicators that can help in assessing the potential scale and impact of money laundering and terrorist financing activities.
- Other governmental departments, including Customs, Tax, Immigration/Border Control, Fisheries, Environmental Protection, company registries, and Security Authorities offer data that may include information on cross-border movements, trade activities, and other activities that could be associated with ML.
- **Private sector** stakeholders can also provide detailed information on their experiences on the “front lines”. They can share information on trends that they see in their work that could lead to identification of new and emerging threats, and loopholes in regulation that may be exploited for ML.
- **Independent research and academic studies** can offer an objective, impartial perspective that can uncover vulnerabilities or emerging threats that may be under-reported or identify nuanced risks that may not be apparent from reviewing domestic data alone. Additionally, independent researchers can take a cross-jurisdictional view, highlighting ML trends and patterns observed internationally that could have spillover effects on the national risk environment. Countries should fact-check studies to ensure the findings are reliable and credible before using them as references.
- **International data sources, including NRAs and MERs from other countries in the region** provide valuable information on cross-border ML, corresponding predicate offences, and offenders. This data is essential for understanding the global nature of money laundering and identifying transnational threats. Other credible sources also include data from international bodies such as FATF, IMF, Interpol, OECD, UNODC, World Bank, International Organization of Securities Commissions (IOSCO), and regional bodies such as the Eurasian Economic Commission, European Commission, Association of Southeast Asian Nations (ASEAN), Europol, FSRBs.

Data Challenges and Best Practices

Obtaining up-to-date and accurate data for the NRA was mentioned by many countries across the Global Network as a challenge. They cited several reasons for this, including institutional capacity, lack of expertise on areas that are not reflected in crime statistics, and difficulties obtaining information from the private sector. Recognising these limitations, it is recommended that countries adopt a pragmatic and tailored approach to data collection and analysis that considers the specific context and constraints of each country. Countries cited some areas where they found it particularly difficult to obtain data, including on legal persons and arrangements, new and emerging technologies, unregulated and informal sectors, and lower risk areas. This section gives some more general guidance on supplementing insufficient data.

Where countries are facing capacity constraints that impact effective data collection and analysis, the following may be helpful:

- Prioritise data sources and focus on obtaining the most critical and relevant information can help mitigate the impact of capacity constraints on the NRA process.
- Collaborate with regional and international partners, leveraging existing networks and platforms, and seeking technical assistance and support from international organisations and development partners can also provide valuable resources, expertise, and guidance to support the NRA process and enhance the quality and reliability of the data collected.
- Use technological solutions, for example Artificial Intelligence (AI) programmes can analyse large volumes of data from different sources quickly and identify correlations and data anomalies that may not be immediately apparent. This can be used to supplement traditional methods and should always be interpreted by a subject matter expert. Investment in technologies help countries to build capabilities which can be used on a regular and ongoing basis, and also supports the continuity of the NRA process.
- Rely on subject matter expert consultations during the NRA process to identify specific barriers and propose solutions for data collection.

It is recommended that countries make every effort to develop and strengthen their data collection processes on an ongoing basis. However, this takes time. Some criminal activities and illicit fund flows may evade the purview of LEAs and official statistics and it can be challenging to assess and understand the risks associated with them without data. Understanding the potential size and nature of “unknown” threats and vulnerabilities allows countries to address blind spots and ensure the effectiveness of AML efforts.

Where countries find they are lacking data on a national level during the preparation of their NRA, they can take several steps to obtain more information to support their analysis:

- Leverage the expertise of national competent authorities by conducting interviews or consultations with them to supplement the data collected. Using targeted questionnaires can also be a rich form of information gathering.
- Access open-source information from publicly available sources, such as news articles, academic papers, reports from other countries and social media, to identify emerging trends, typologies, and methodologies in money laundering. Countries should always assess the reliability of such information and be conscious of possible bias and misinformation. This can give more context on the environment in which crimes are taking place.

Box 8. Using Qualitative Data

Montserrat

At the time of its NRA, Montserrat did not have robust data collection methods in place, and had to rely on external sources of data, e.g., neighbouring islands and international organisations for data, however limited international exposure with these counterparts limited the usefulness of the data.

In order to complement the data available to them, Montserrat requested information from public officials and private sector entities using questionnaires. Montserrat worked to build trust through transparent communication with all parties to ensure questionnaires were answered honestly, and to mitigate potential concerns surrounding data confidentiality and misuse within a small community.

This process helped Montserrat complement their limited domestic data to inform the NRA, but also encourages buy-in from all sectors for the NRA's follow-up actions and implementation of risk-mitigating measures.

- Consultation with Private Sector: Insights from the private sector and industry association experts can offer valuable information on the risks and vulnerabilities associated with specific sectors and products/services and contribute to a more comprehensive and nuanced understanding of the risk landscape.
- Field trips and physical assessments provide first-hand insights into the operational environment, activities, and vulnerabilities associated with specific sectors, industries, and regions, and help in validating and corroborating the data collected through other sources as well as providing context on sector/area specific issues. This could be particularly useful in border regions or free ports.
- Regional cooperation is also useful in sharing information between countries with a similar context and geography. Supranational risk assessments, NRAs and MERs of neighbouring countries can provide information on trends and typologies seen in the region.
- International data and information can be gathered in various ways, such as through participation in discussions at international meetings such as the FATF or by reviewing international typologies reports. Countries can engage in formal or informal international cooperation, sharing information through MOUs, bilateral/multilateral agreements or through organisations such as the Egmont Group of FIUs. This provides countries with a global context and can help identify emerging risks. Interactions with liaison officers during the ML risk assessment can also provide valuable insights.

Box 9. “Unknown” Threats

Singapore

Singapore's FIU circulated a questionnaire to international counterparts from a range of countries including FATF members, countries in the region, and countries with which Singapore exchanges frequently. This questionnaire requested information regarding their perceptions on the following:

- Singapore's ML threats (including domestic and foreign predicate offences) and most vulnerable sectors.
- Typologies or modus operandi observed in Singapore.
- Feedback on LEA-to-LEA cooperation.

The responses were analysed, and findings shared with LEAs and supervisors, as discussed at Singapore's Risks and Typologies Inter-Agency Group to assess whether the results supported agencies' understanding of ML threats and risks based on other quantitative and qualitative information sources analysed by the authorities.

The findings largely corresponded with Singapore's own observations and helped to validate Singapore's understanding of its exposure to foreign predicate offences, its vulnerable sectors and perception of Singapore as a key source or destination of illicit funds.

Some countries have difficulty obtaining reliable or consistent information from the private sector. In these cases, countries have shown that the following steps can be helpful in encouraging engagement or help to obtain more information:

- Consult Suspicious Transaction Reports (STRs) for an overview of ML trends that the private sector is experiencing. Countries should be aware of potential for private sector biases whereby they may be more familiar with types of crime and/or their indicators that may give a false criticality to ML trends.
- Obtain inputs related to compliance and relevant vulnerabilities from supervisory authorities, rather than from the private sector entities themselves.
- Design standardised questionnaires that are clear, focused and concise. Lengthy surveys can lead to survey fatigue and low-quality responses. Using digital questionnaires and including closed-ended questions or constrained responses helps to promote data quality and consistency. Countries may wish to enlist the help of credible survey vendors or data specialists to ensure questionnaires are well-drafted and structured to facilitate data analysis and interpretation and maximise the utility of responses. Questionnaires could be tested on a smaller sample before they are distributed to target population.
- Consider public-private partnerships (PPP) to also provide more information to national authorities that they may not automatically have access to. Hearing from those working on the front lines can give an insight on the emerging trends in different sectors, types of transaction and customer, and key vulnerabilities.