

# **DEVELOPMENT & IMPLEMENTATION OF AML/CFT RISK BASED LEGAL FRAMEWORKS**

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## **The risk-based approach (RBA) is an effective way to combat money laundering and terrorist financing**

- The FATF Recommendations permits countries to some degree to adopt a risk-based approach combating ML/FT



## The first FATF RECOMMENDATION

**Assessing risks and applying a risk-based approach imply:**



- To Identify, Assess, and Understand ML/FT Risks
- To take actions, including designating an authority or mechanism



- **This approach is essential for the efficient allocation of resources across AML/CFT regime, and the implementation of risk-based measures**

## Important:

- Where countries identify **higher risks**, they should ensure that their AML/CFT regime adequately addresses such risks.
- Where countries identify **lower risks**, they could decide to allow simplified measures for some of the Recommendations under some specific conditions

## The second FATF RECOMMENDATION

### National cooperation and Coordination imply:



- National AML/CFT policies, based on previously identified risks
- Designating an authority or coordinating some other mechanism

By adopting a risk-based approach, national authorities, financial institutions and DNFBPs **should be able to ensure that measures to prevent or mitigate ML/FT are proportional to risks.**

**and would allow them to make decisions on how to allocate their own resources in the most effective way**

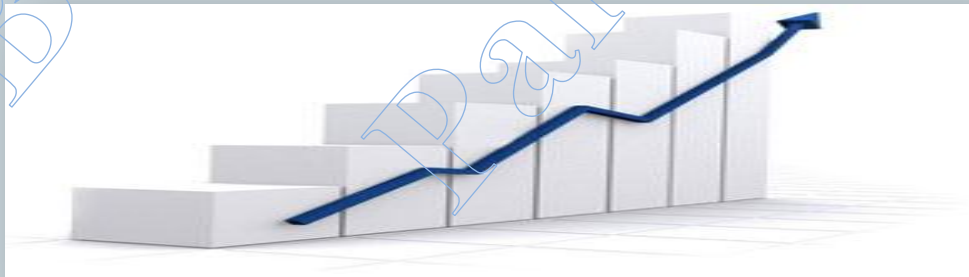
The general principle of RBA is that,

where there are higher risks, countries should require financial institutions and DNFBPs to take enhanced measures to manage and mitigate those risks;

and that, correspondingly,

where risks are lower, simplified measures may be permitted

- Better management of risks and cost-benefit.
- Financial institutions focusing on real and identified threats.
- Flexibility to adapt to risks changing over time.



- Identifying appropriate information to conduct a sound risk analysis.
- Addressing short-term transitional costs.
- Greater need for more expert staff capable of making sound judgments;
- Regulatory response to potential diversity of practice



# Paraguay

## DEVELOPMENT & IMPLEMENTATION OF AML/CFT RISK BASED LEGAL FRAMEWORKS

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The National Strategic Plan (PEN) for Combating Money Laundering (ML), the Financing of Terrorism (FT) and the Financing of the Proliferation of Weapons of Mass Destruction (FP) **is a State policy aimed at organizing the action of institutions for**

- **preventing,**
- **detecting**
- **and punishing**

**such crimes effectively**

The PEN is the result of a process that involves a policy decision adopted by several agencies at the highest level of government

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the PEN is intended to ensure that the Paraguayan State is able not only to bring its practices into line with the new international standards,

but also to promote new actions that will make the adopted instruments **truly effective.**

The PEN also offers an appropriate opportunity for reallocating and making **an efficient use of State resources** in combating ML/FT/FP

The Paraguayan government has set itself the task of establishing an effective system for combating ML/FT and FP, with a view to protecting the reputation of the financial system and the economy while preserving public order and national security

# ESSENTIAL ASPECTS OF PARAGUAY'S AML/CFT and CFP SYSTEM WITH REGARD TO INTERNATIONAL COMMITMENTS

PARAGUAY AND THE FATF/GAFISUD  
STANDARDS FOR COMBATING ML, FT AND FP

1.997

- Paraguay approved a Law, turning ML into a criminal offence for the first time
- other important measures, such as amending the definition of ML and incorporating it into Article 196 of the Criminal Code of Paraguay

2.008

- the evaluation conducted by the IMF and ratified by GAFISUD resulted in a very poor image of Paraguay

2.008

- **Paraguay is suspended from the Egmont Group**
- **and included on the “Grey List” of the ICRG**

With respect to crimes that generate illicit proceeds, the latest evaluations of Paraguay identified

- **narcotics trafficking,**
  - **corruption,**
  - **smuggling**
  - **and piracy**
- as the most important threats**

It also highlighted the risk of

- **terrorist financing in some areas**

2.008

- national authorities took several steps to increase the capacity of the Paraguayan State in combating ML and FT and to improve compliance with international standards

2.011

- Paraguay is elected to serve as President Pro-tempore of GAFISUD

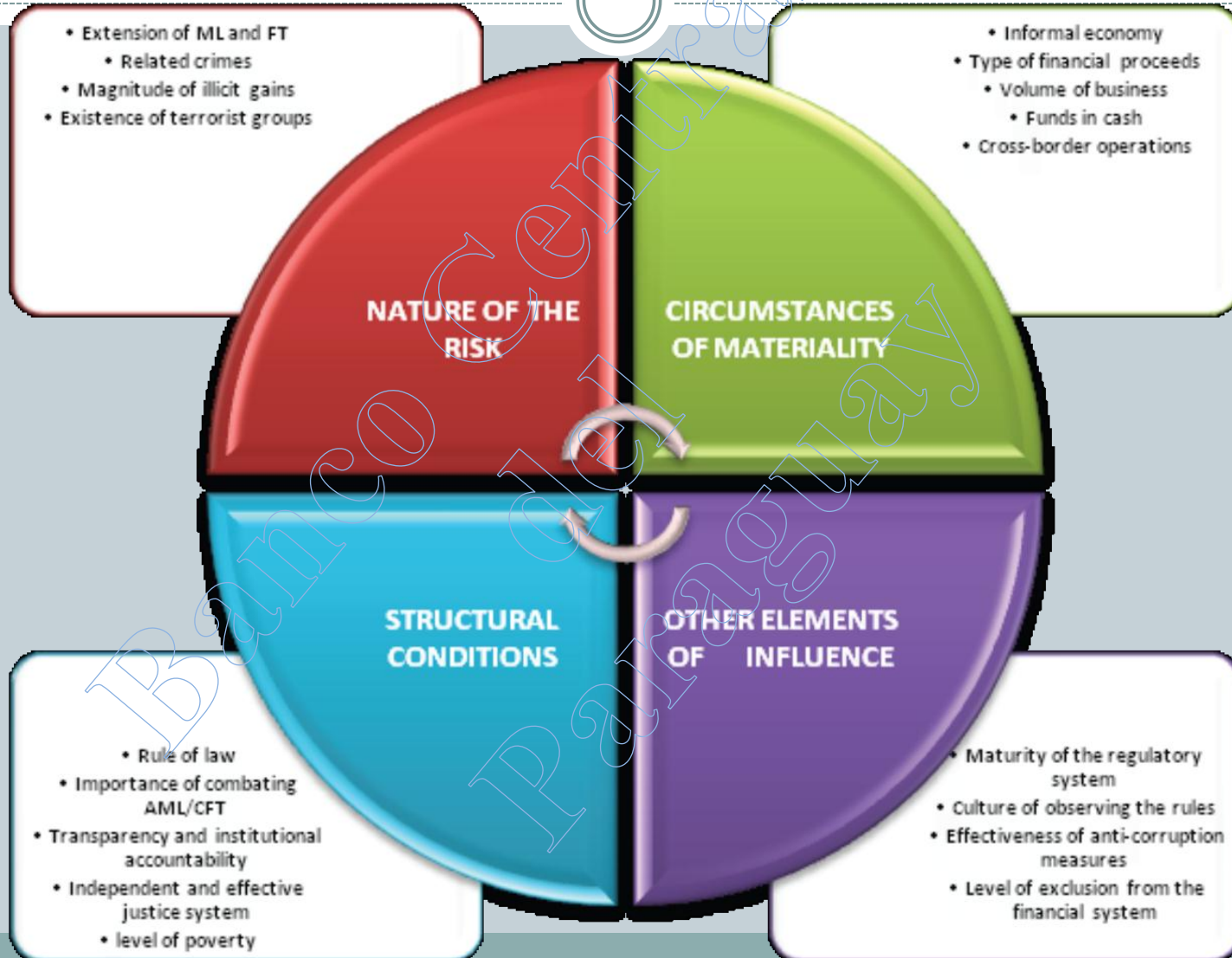
2.012

- At the Plenary session of the FATF, the country was **removed from the “Grey List”**
- the removal was confirmed by the FATF plenary in June
- in December, Paraguay was **removed from the GAFISUD enhanced monitoring process**

With respect to the effective standard, the new methodology directs efforts towards **four factors** that must be considered when evaluating the degree of implementation

as illustrated in the following graph:

# Factor to be considered



# THE PEN'S ACTION PLAN

**THE COMPONENTS OF PARAGUAY'S  
AML/CFT AND CFP SYSTEM USING A  
RISK-BASED APPROACH.**

The PEN is intended to improve the AML/CFT system using a risk-based approach

This implies adopting a **process of risk management** based on the

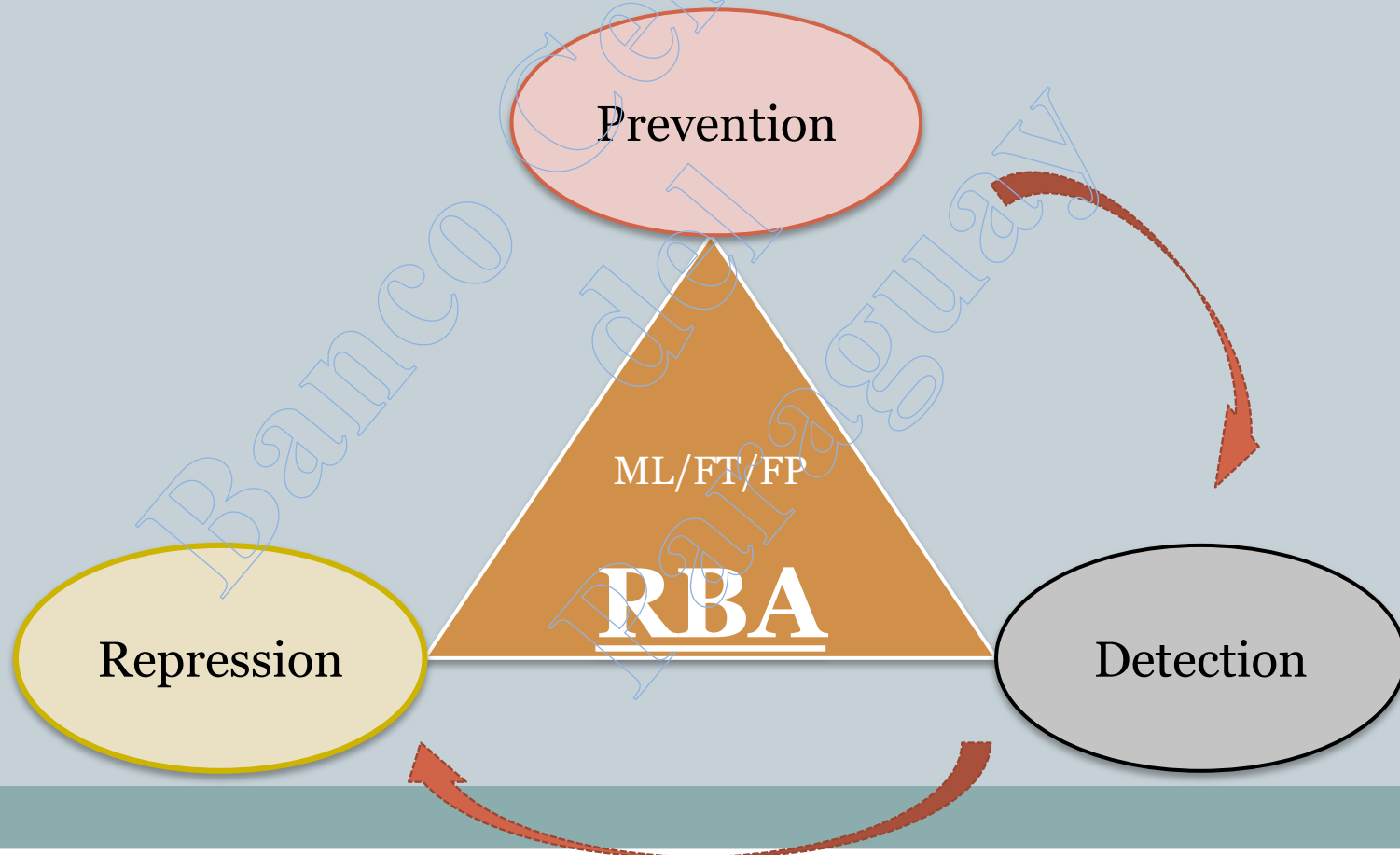
- **identification,**
- **evaluation,**
- **control and mitigation**
- **and monitoring of risks**

The PEN is intended to go beyond actions that are taken simply on the basis of technical compliance with international standards

Instead, it seeks to address **weaknesses** and **vulnerabilities** of the system by redirecting efforts and available resources more efficiently

With its RBA orientation, the PEN will improve the **three subsystems** that form part of the AML/ CFT and CFP System.

## National AML/CFT system focused on risk mitigation



This subsystem embraces a series of

- **private sector** and
- **public sector entities** that are responsible for

**Identifying suspicious transactions**  
**involving ML, FT and FP**  
and reporting them afterwards.



A number of control mechanisms implemented **by institutions of the financial and non-financial sectors**

- “know your customer” policies,
- elaboration of risk matrix,
- identification of sensitive products and services,
- activation of alerts,
- identification of PEPs, etc.

and by the **supervisory and control agencies**

- inspections within their jurisdiction,
- application of sanctions and corrective measures for non-compliance, etc.

This subsystem comprises the SEPRELAD (Financial Intelligence Unit), created with the objective of **analyzing suspicious transactions** that have been reported and, if necessary, **referring them to the Attorney General's office** for criminal prosecution.



This objective entails

- compilation of files,
- collection of financial information on individuals or legal persons,
- establishment of links with other State agencies that have sensitive information,
- tactical and strategic analysis and understanding of methods used for ML, FT and FP
- determination of crimes involved

This subsystem includes police, tax and judicial authorities for the purpose

- **of investigating and demonstrating cases** involving ML, FT and FP,
- the predicate offenses,
- seizing and confiscating assets related to the crime,
- and punishing culprits



Each subsystem has some degree of autonomy, but they do not operate fully independently

This is because the specific purpose achieved by each subsystem will have an impact on meeting the ultimate goal of the system

The PEN is a key element for improving coordination among several State agencies in order to increase levels of **effectiveness** and expand possibilities of a successful evaluation in the future



**THANK YOU !!!**

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