

**Subject: EMA draft response to FATF Public Consultation on National Risk Assessment Guidance update**

**Date: 18 July 2024**

**Deadline: 22 July 2024 18.00 CET**

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## **Contribution to the development of the NRA**

**What are the most useful ways that the private sector, civil society and academia can contribute to the NRA?**

The private sector contribution is essential to the NRA, as it provides insights on the emerging risks identified, as well as typologies and case studies that provide for a realistic and evidence-based picture of the risks faced by the industry. A clear communication channel with each sector should be established by the country authorities responsible for drafting the NRA, in order to have a comprehensive and up-to-date vision of the industry, its risks and the measures implemented to mitigate it.

The private sector is essential as it is on the front line of combating money laundering and terrorist financing, as well as being in direct contact with the civil society to which it provides services. Therefore, its experience is highly valuable and should be taken into consideration when drafting an NRA. Additionally, the private sector is also a key actor that can raise red flags around emerging threats, but also implement innovative tools that allow for risk mitigation.

**What are the most effective ways in which countries can engage the private sector, civil society and academia in the NRA?**

There are different ways countries can engage the private sector in the NRA. Based on the EMA's experience, two methods are efficient and productive:

- public consultation, allowing for comprehensive input from any stakeholders that may have a view, and
- workshops, where different actors from the same sector (private entities and trade bodies representatives) discuss with the competent authority drafting the NRA to explain the

business models, the risks identified and the mitigation measures implemented, as well as the emerging threats.

It is essential to organise such consultations and workshops every time an NRA is drafted or updated, as the threats are evolving quickly, as well as the mitigation tools implemented by the private sector. This is particularly the case for certain sectors, such as the fintech sector.

It is also possible and highly useful for both the country and the private sector to create public private partnerships groups that include representatives from the private sector, civil society, academia and the public sector, and that meet on a regular basis to build mutual understanding and allow the exchange of knowledge.

## **Utilisation of the outcomes and outputs of the NRA**

### **How does the private sector, civil society and academia use NRA outputs? Are there any key performance indicators or other methods to measure the impact of the NRA?**

The NRA outputs are very important for the financial sector, as it is a useful tool to have a better understanding of the risks faced by the industry from a more global point of view, and it feeds the risks assessments and risks mitigation measures implemented by financial firms. It also has an indirect impact on financial firms, as it may influence regulations or laws that impact those firms, for example in order to mitigate a risk identified in the NRA. It also gives other actors in the private sector a certain level of confidence in the sector, in terms of risks mitigation.

### **How can countries design the NRA process and outputs to maximise their utility to the private sector, civil society and academia?**

There are a number of areas in which NRAs can be improved:

- I. Often the information in the NRA is somewhat circular, outdated and not evidence-based. For example, one NRA in one country may have identified one specific risk, and then it is 're-used' by other NRAs in other countries, without assessing whether this risk exists in this specific country and whether this risk still exists or if it has been efficiently mitigated by the industry. Such assessment should be done (i) in every country, and (ii) for every NRA, and (iii) based on data collected by the country (for example through suspicious activity reports or mandatory data reports to the appropriate authorities).

2. Another issue that hinders the utility of the NRAs to the private sector is the way sectors are defined. Some sectors are too broad in their definition, therefore vastly different business models are put in the same sector, resulting in a less accurate and usable risk assessment. When the recommendations are not tailored to a specific-enough sector, they are less actionable by the private sector.
3. NRAs are not revised sufficiently frequently; firms are often having to take into account NRAs that are over 3 years old, which in financial crime terms, does not provide as much assistance as it otherwise might do. A live document that is updated over time might be more useful, or more regularly updated NRAs.

**Can you give concrete examples of how NRA findings have been used to improve your own risk management processes?**

No comment, as the EMA is a trade association.

**Feedback on NRA process, outcomes and outputs**

**What is the most appropriate and effective mechanism for the private sector, civil society and academia to provide feedback on the NRA?**

Similarly to the most appropriate and effective mechanism to contribute to the NRA, the EMA believes that public consultation and regular engagement with the industry and its trade bodies, including through workshops, is the most effective mechanism for the private sector to provide feedback on the NRA.