

The Wolfsberg Group – Developing an Effective AML/CTF Programme August 2020

In December 2019, the Wolfsberg Group (the Group) published a Statement on Effectiveness (the Statement)¹, which encourages jurisdictions to adopt the Financial Action Task Force's (FATF) focus on effective outcomes. As part of the Statement, the Group outlined what it believes are the key elements of an effective Anti-Money Laundering/Combating Terrorist Financing (AML/CTF) programme:

1. Complying with AML/CTF laws and regulations
2. Providing highly useful information to relevant government agencies in defined priority areas²
3. Establishing a reasonable and risk-based set of controls to mitigate the risks of a Financial Institution (FI) being used to facilitate illicit activity

Since the publication of the Statement, the Group has been encouraged by the actions taken in several jurisdictions to move towards more effectiveness-focused AML/CTF regimes. As policy makers and supervisors continue to develop this approach, the Group would suggest that FIs take the following steps to evolve their AML/CTF programmes:

1. **Assess Risk in Defined Priority Areas:** The starting point for an effective AML/CTF programme is understanding the risks associated with priority financial crime areas in jurisdiction(s) relevant to the FI, the applicability of those risks to the FI, and material changes to those risks over time.³ The Group believes a priorities-focused AML/CTF regime is most effective when relevant government agencies specifically define a set of national priorities, particularly from law enforcement, for FIs to focus on. Where specifically defined priorities do not exist, FIs can leverage the priorities described in the jurisdiction's National Risk Assessment, or equivalent publication, as the defined priority areas. Similarly, the impact of communicating such priorities is enhanced when the public and private sectors work together, thereby setting out a more holistic view of risk.
2. **Implement/Enhance Controls:** Once an FI has confirmed its potential risks in the priority areas, it should assess its controls against the identified risks, which may then result in the enhancement of existing controls, or the implementation of new controls, and associated governance, to mitigate those risks.
3. **Prioritise Resources:** Certain priority areas may present a greater risk for the FI than others. FIs should use a risk-based approach to reallocate time and resources from lower-risk areas to higher-risk areas. FIs should also assess the benefits of harnessing technological developments (e.g. machine learning and artificial intelligence) and, if proven, should consider adopting these capabilities more widely and discontinuing practices that do not lead to one of the key elements of an effective AML/CTF programme.
4. **Engage with Law Enforcement:** FIs should engage actively with the appropriate level of law enforcement in order to understand operational priorities, and therefore assist agencies to the greatest extent possible, as well as to understand trends and emerging threats from a more strategic perspective. While there are many ways an FI can engage with Law Enforcement, the Group believes the most effective engagement is through Public-Private Partnerships (PPPs) of which there are many examples, although

¹ [Wolfsberg Statement on Effectiveness December 2019](#)

² Information as defined and aligned to nationally defined financial crime prevention priorities, including those set by law enforcement

³ See, e.g., Federal Financial Institutions Examination Council, [Bank Secrecy Act/Anti-Money Laundering Examination Manual](#) at 14 (April 2020 Update) (emphasising that a variety of risk assessment methods and formats may be suitable for differing institutions).

the models in place differ. The Group strongly encourages participation in PPPs as a key component of an effective AML/CTF regime.

5. **Demonstrate AML/CTF Programme Effectiveness:** The risks that each FI is exposed to, and how it assesses and mitigates those risks, will vary by FI. Therefore, FIs will articulate the effectiveness of their programmes to Senior Executives/Boards and supervisors/examiners in different ways, using both quantitative and qualitative factors. An assessment of effectiveness should not merely be a statistical exercise: qualitative factors may be equally, if not more, important than the numbers themselves. Similarly, effectiveness can also be enhanced when both law enforcement agencies and supervisors provide feedback on what they have found to be most effective in an FI's reporting and/or how components of the FI's programme have been implemented.

The Group believes that this approach will enable FIs to detect and deter criminal activity more effectively and efficiently, while at the same time reducing friction on innocent customers and helping governments achieve their financial inclusion objectives. As AML/CTF regimes around the world continue to focus on effectiveness, the Group remains committed to collaborating with policy makers, supervisors, law enforcement agencies and other stakeholders to develop this approach further. The Group intends to publish additional materials on each of the five steps described above to assist FIs in developing, and continuously enhancing, their AML/CTF programmes.