


## Assessing Risks and Applying a Risk-Based Approach

The FATF recommends that countries take a Risk-Based Approach (RBA) to prevent and mitigate Money Laundering (ML), Terrorist Financing (TF) and Proliferation Financing (PF) risks through their Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) regime.

**Essentially, this means that each country should:**

- > Identify, assess and understand its ML, TF and PF risks, including through the coordination of actions by the appropriate authority or mechanism.
- > Ensure that measures and resource allocation are efficient and proportionate to mitigate the assessed ML, TF and PF risks.
- > In applying the RBA, where ML, TF and PF risks have been assessed as 

(1) higher, ensure enhanced measures are adopted or (2) lower, adopt simplified measures, provided all obligations are adhered to.

- > Require Financial Institutions and Designated Non-Financial Business Professionals to identify, assess and take effective measures to mitigate their respective ML, TF and PF risks.

The RBA is the core element for the effectiveness of the AML/CFT regime.