**FCA money laundering systems and controls: Risk Assessment 2023**

**Governance**

|  | **Question** | **Answer** | **Risk level (RAG)?** | | | **What action if any?** | **Allocated to** | **Date action completed** |
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|  |  |  | **R** | **A** | **G** |  |  |  |
| **1** | Who has overall responsibility for establishing and maintaining effective AML controls? |  |  | | |  |  |  |
| **2** | Are the people with overall responsibility sufficiently senior? |  |  | | |  |  |  |
| **3** | Are there clear reporting lines and escalation paths? |  |  | | |  |  |  |
| **4** | Are AML related senior management roles and responsibilities clearly defined? |  |  | | |  |  |  |
| **5** | Do senior management understand their roles and responsibilities? |  |  | | |  |  |  |
| **6** | Do senior management have a good understanding of the money laundering risks the firm is exposed to? |  |  | | |  |  |  |
| **7** | Do senior management ensure a strong AML culture is established within the firm? |  |  | | |  |  |  |
| **8** | Is there evidence that AML is taken seriously by senior management as a matter of true concern for the firm, and not just as a legal or regulatory necessity? |  |  | | |  |  |  |
| **9** | Does the firm have AML systems and controls in place that are proportionate to the nature, scale and complexity of its activities? |  |  | | |  |  |  |
| **10** | Does the firm ensure that its AML systems and controls are applied with due skill, care and diligence at all times? |  |  | | |  |  |  |
| **11** | Is there appropriate oversight and supervision of the firm’s AML control framework? |  |  | | |  |  |  |
| **12** | Is risk-based quality assurance work carried out by the firm on a rolling basis? |  |  | | |  |  |  |
| **13** | Is adequate resource allocated to AML, including to the firm’s compliance function? |  |  | | |  |  |  |
| **14** | Is there an appropriate IT infrastructure in place to support CDD and ongoing monitoring? |  |  | | |  |  |  |
| **15** | Does the firm have an AML compliance monitoring plan in place? |  |  | | |  |  |  |
| **16** | Do remuneration and staff incentive structures take account of failings relating to AML compliance? |  |  | | |  |  |  |
| **17** | Does the firm have defined breach and escalation procedures and are all staff aware of these procedures? |  |  | | |  |  |  |
| **18** | Is there evidence of formal sign-off and approval by senior management of high-risk and PEP customers? |  |  | | |  |  |  |
| **19** | Is MI provided to senior management regularly? |  |  | | |  |  |  |

**MLRO**

|  | **Question** | **Answer** | **Risk level (RAG)?** | | | **What action if any?** | **Allocated to** | **Date action completed** | |
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|  |  |  | **R** | **A** | **G** |  |  |  | |
| **1** | Does the MLRO have sufficient resources, experience, access and seniority to carry out the role effectively? |  |  | | |  |  | |  |
| **2** | Does the MLRO have the necessary credibility and authority to carry out the role? |  |  | | |  |  | |  |
| **3** | Does the MLRO understand the policies he is required to oversee and the rationale behind them? |  |  | | |  |  | |  |
| **4** | Does the MLRO have adequate oversight of all of the firm’s high-risk customers? |  |  | | |  |  | |  |
| **5** | Is there an MLRO annual report (for small firms, this may be part of the annual compliance report)? |  |  | | |  |  | |  |

**Policies and procedures**

|  | **Question** | **Answer** | **Risk level (RAG)?** | | | **What action if any?** | **Allocated to** | **Date action completed** |
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|  |  |  | **R** | **A** | **G** |  |  |  |
| **1** | Is quality assurance work carried out on AML policies and procedures to ensure they are fit for purpose and work in practice? |  |  | | |  |  |  |
| **2** | Are AML policies and procedures kept up-to-date to ensure compliance with evolving legal and regulatory obligations? |  |  | | |  |  |  |
| **3** | Are AML policies and procedures clearly communicated to staff and easily accessible? |  |  | | |  |  |  |
| **4** | Is there a clearly articulated definition of a PEP (and any relevant sub-categories), which is well understood by staff? |  |  | | |  |  |  |
| **5** | Is there a formal documented process and methodology for identifying, classifying and de-classifying customers as PEPs? |  |  | | |  |  |  |
| **6** | Is proper consideration given to enhanced due diligence triggers together with ongoing monitoring levels and periodic review frequency? |  |  | | |  |  |  |
| **7** | Can waivers from the AML policies and procedures only be given with good reason? |  |  | | |  |  |  |
| **8** | Where external consultants draw up the firm’s AML policies and procedures, does the firm ensure the policies and procedures are implemented? |  |  | | |  |  |  |

**Staff training**

|  | **Question** | **Answer** | **Risk level (RAG)?** | | | **What action if any?** | **Allocated to** | **Date action completed** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **R** | **A** | **G** |  |  |  |
| **1** | Is training provided to all staff, including senior management? |  |  | | |  |  |  |
| **2** | Is there enhanced training for senior management and staff in key AML roles? |  |  | | |  |  |  |
| **3** | Does the training cover legal and regulatory responsibilities and penalties, the risks posed by higher-risk customers such as PEPs, as well as the firm’s escalation procedures and how to report suspicions? |  |  | | |  |  |  |
| **4** | Is the training tailored and does it include practical examples relevant to the firm’s business activities? |  |  | | |  |  |  |
| **5** | Do advisers and other relevant staff understand how to manage high-risk customers by being trained on practical examples of risk and how to mitigate it? |  |  | | |  |  |  |
| **6** | Is training material periodically reviewed to ensure it is kept comprehensive and up-to-date? |  |  | | |  |  |  |
| **7** | Is training repeated where necessary to ensure relevant staff are aware of changes to policy and emerging risks? |  |  | | |  |  |  |
| **8** | Do staff records set out what training was completed and when? |  |  | | |  |  |  |

**Risk assessment**

|  | **Question** | **Answer** | **Risk level (RAG)?** | | | **What action if any?** | **Allocated to** | **Date action completed** |
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|  |  |  | **R** | **A** | **G** |  |  |  |
| **1** | Have the parts of the firm’s business which present greater risks of money laundering been identified and recorded? |  |  | | |  |  |  |
| **2** | Has the firm identified the money laundering risks associated with different types of customer or beneficial owner, product, business line, geographical location and delivery channel? |  |  | | |  |  |  |
| **3** | Has the firm assessed the extent to which the money laundering risks identified are likely to be an issue for it? |  |  | | |  |  |  |
| **4** | Does the risk assessment inform the firm’s day-to-day operations? |  |  | | |  |  |  |
| **5** | Is there evidence that the risk assessment informs the level of customer due diligence (CDD) the firm applies? |  |  | | |  |  |  |
| **6** | Is there evidence that the risk assessment informs the firm’s decisions about accepting or maintaining relationships? |  |  | | |  |  |  |
| **7** | Is there evidence that the firm’s risk assessment informs the design of its AML controls? |  |  | | |  |  |  |
| **8** | Does the firm use its business-wide risk assessment to determine the level of CDD, and ongoing monitoring, it applies to individual business relationships and occasional transactions? |  |  | | |  |  |  |
| **9** | Is there a robust approach to classifying the money laundering risk associated with customers? |  |  | | |  |  |  |
| **10** | Does consideration of money-laundering risk associated with individual business relationships or occasional transactions take account of a wide range of factors such as: |  |  | | |  |  |  |
|  | company structures; |  |  | | |  |  |  |
|  | political connections; |  |  | | |  |  |  |
|  | country risk; |  |  | | |  |  |  |
|  | the customer’s or beneficial owner’s reputation; |  |  | | |  |  |  |
|  | source of wealth; |  |  | | |  |  |  |
|  | source of funds; |  |  | | |  |  |  |
| **11** | Is clear guidance given to staff on the risk factors they should consider when assessing whether a customer is high risk? |  |  | | |  |  |  |
| **12** | Are the risks posed by former PEPs and domestic PEPs considered on a case-by-case basis? |  |  | | |  |  |  |
| **13** | Is there a clear audit trail to show why customers are rated as high, medium or low? |  |  | | |  |  |  |
| **14** | Where the firm identifies that a relationship manager may have become too close to a customer, are arrangements in place to manage this risk effectively? |  |  | | |  |  |  |

**Customer due diligence (CDD)**

|  | **Question** | **Answer** | **Risk level (RAG)?** | | | **What action if any?** | **Allocated to** | **Date action completed** |
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|  |  |  | **R** | **A** | **G** |  |  |  |
| **1** | Does the firm apply CDD procedures in a risk-sensitive way? |  |  | | |  |  |  |
| **2** | Do the firm’s CDD processes provide it with a comprehensive understanding of the risks associated with individual business relationships? |  |  | | |  |  |  |
| **3** | How does the firm identify the customer’s beneficial owner? |  |  | | |  |  |  |
| **4** | Is the firm satisfied that it takes risk-based and adequate steps to verify the beneficial owner’s identity in all cases? |  |  | | |  |  |  |
| **5** | Are procedures sufficiently flexible to cope with customers who cannot provide common forms of identification? |  |  | | |  |  |  |
| **6** | Are procedures in place to ensure that simplified due diligence (SDD) is not carried out in relation to any prospective customer identified as posing a high risk of money laundering? |  |  | | |  |  |  |
| **7** | If the firm uses electronic verification checks or PEP databases, does it understand their capabilities and limitations? |  |  | | |  |  |  |
| **8** | Do staff who approve new or ongoing business relationships satisfy themselves that the firm has obtained adequate CDD information before doing so? |  |  | | |  |  |  |
| **9** | Is there a method for tracking whether checks on customers are complete? |  |  | | |  |  |  |
| **10** | When identifying a corporate customer’s beneficial owners, does the firm consider both:   1. any individual who ultimately controls more than 25% of the shares or voting rights of the customer; and 2. any individual who exercises control over the management of the customer? |  |  | | |  |  |  |
| **11** | Does the firm carry out periodic CDD reviews of existing customers to update their information, where required? |  |  | | |  |  |  |
| **12** | Is OFSI’s financial sanctions list routinely checked? |  |  | | |  |  |  |
| **13** | Are PEP databases routinely checked? |  |  | | |  |  |  |

**Source of wealth and source of funds**

|  | **Question** | **Answer** | **Risk level (RAG)?** | | | **What action if any?** | **Allocated to** | **Date action completed** |
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|  |  |  | **R** | **A** | **G** |  |  |  |
| **1** | Does the firm establish each customer’s source of wealth and source of funds as part of both CDD procedures and ongoing monitoring? |  |  | | |  |  |  |
| **2** | Is there sufficient corroboration of the source of wealth and source of funds? |  |  | | |  |  |  |
| **3** | Does the firm check whether the level and type of transactions carried out with or for a customer is consistent with its knowledge of the customer? |  |  | | |  |  |  |

**Enhanced due diligence (EDD): handling higher-risk situations**

|  | **Question** | **Answer** | | **Risk level (RAG)?** | | | | **What action if any?** | | **Allocated to** | **Date action completed** |
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|  |  | |  | | **R** | **A** | **G** | |  |  |  |
| **1** | How does the firm’s EDD differ from standard CDD? |  | |  | | | |  | |  |  |
| **2** | Is the firm able to demonstrate that the extent of the EDD measures it applies are commensurate with the money laundering risks it faces? |  | |  | | | |  | |  |  |
| **3** | Are the EDD processes adequately documented? |  | |  | | | |  | |  |  |
| **4** | What involvement do senior management or committees have in approving high-risk customers? |  | |  | | | |  | |  |  |
| **5** | Is the firm carrying out EDD on all clients identified as high risk? |  | |  | | | |  | |  |  |
| **6** | Are there clear risk-based policies and procedures setting out the EDD required for higher-risk customers, particularly relating to source of wealth and source of funds? |  | |  | | | |  | |  |  |
| **9** | Does the firm proactively follow up gaps in, and update, the due diligence of higher-risk customers? |  | |  | | | |  | |  |  |
| **11** | Does the firm rely on more than one source of information for its EDD? |  | |  | | | |  | |  |  |
| **13** | Is adequate EDD carried out before new customer relationships are approved? |  | |  | | | |  | |  |  |
| **14** | Is senior management approval of higher-risk customers obtained and documented? |  | |  | | | |  | |  |  |
| **15** | Does the firm’s EDD include any of the following: |  | |  | | | |  | |  |  |
| **a.** | obtaining more information about the customer’s or beneficial owner’s business? |  | |  | | | |  | |  |  |
| **b.** | obtaining more robust verification of the beneficial owner’s identity based on information from a reliable and independent source? |  | |  | | | |  | |  |  |
| **c.** | carrying out searches on a corporate customer’s directors, or other individuals exercising control, to understand whether their business or integrity affects the level of risk associated with the business relationship? |  | |  | | | |  | |  |  |
| **d.** | establishing how the customer or beneficial owner acquired their wealth so the firm can be satisfied that it is legitimate? |  | |  | | | |  | |  |  |
| **e** | establishing the source of the customer’s or beneficial owner’s funds so the firm can be satisfied that they do not constitute the proceeds of crime? |  | |  | | | |  | |  |  |

**Ongoing monitoring**

|  | **Question** | **Answer** | **Risk level (RAG)?** | | | **What action if any?** | **Allocated to** | **Date action completed** |
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|  |  |  | **R** | **A** | **G** |  |  |  |
| **1** | How are transactions monitored to spot potential money laundering? |  |  | | |  |  |  |
| **2** | Is the firm satisfied that its monitoring (whether automatic, manual or both) is adequate and effective? |  |  | | |  |  |  |
| **3** | Does the firm conduct the appropriate level of ongoing monitoring over existing customer files periodically to ensure the customer information and risk assessment are up-to-date? |  |  | | |  |  |  |
| **4** | Does the firm use monitoring results to review whether CDD remains adequate? |  |  | | |  |  |  |
| **5** | Where monitoring indicates material changes to a customer’s profile, does the firm update the CDD information and reassess the risk associated with the business relationship? |  |  | | |  |  |  |

**Liaison with law enforcement**

|  | **Question** | **Answer** | | **Risk level (RAG)?** | | | **What action if any?** | **Allocated to** | **Date action completed** |
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|  |  |  | | **R** | **A** | **G** |  |  |  |
| **1** | How does the decision-making process related to SARs work in the firm? | |  |  | | |  |  |  |
| **2** | Are procedures clear to staff? | |  |  | | |  |  |  |
| **3** | Do staff report suspicions to the nominated officer (usually the MLRO)? | |  |  | | |  |  |  |
| **4** | What evidence is there of the rationale underpinning decisions about whether a SAR is justified? | |  |  | | |  |  |  |

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(MLRO)

Date