



The FSC's approach & risk assessment work



Our challenges

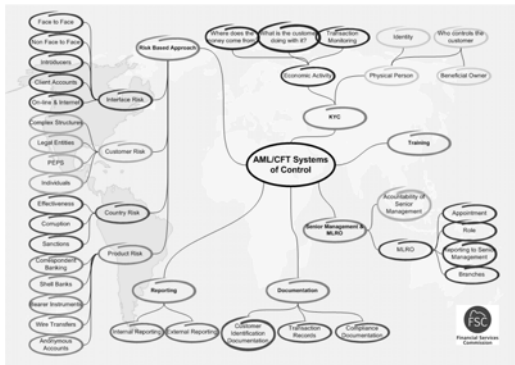
- No longer have a one-size-fits-all
- Each firm makes their own decisions
- No two systems are going to be alike
- Emphasis of risk assessment work must be on adequacy of methodology
- On-site work to be wider than KYC processes

1

2



Compliance Mind Map



3



Key themes for FSC – Risk Based

- Does the firm have a methodology to capture the four risk elements?
- Is this methodology adequate?
- Does the firm have a process whereby KYC is escalated?
- Can the firm demonstrate the application of the methodology?
- Is this documented?
- Is it fit for purpose?

4



Key themes for FSC - KYC

- Physical Person
 - Is documentation being sought on the right people?
 - Are beneficial owners properly documented?
- Economic Activity
 - Is the firm looking at both ends of the transaction and defining risk based on these?
 - What transaction monitoring systems are in place?

5



Key Themes - Senior Management

- Are the persons appointed as Director and MLRO of the right seniority/experience?
- Is there proper segregation between the MLRO and the Director with responsibilities for AML/CFT compliance
- Is senior management accountable for the firms systems of control
- How extensive is the Compliance Report prepared as part of the risk assessment work?
- Review of the MLRO's annual report
- Senior Management's consideration of the report and subsequent action plan

6



Key Themes - Training

- How much has training on AML/CFT issues been permeated down the organisation?
- How adequate and extensive is this training?
- Does the training cover;
 - Legal and regulatory responsibilities
 - Role in handling ML or TF transactions
 - The Firms' Risk Management methodology
 - Recognition of ML or TF transactions
 - Process for making internal reports?

7



Key Themes - Reporting

- Internal Reporting
 - How are internal reports made and documented?
 - Is there evidence of MLRO review and decision making?
 - Are internal reports formally acknowledged including reminder of "Tipping Off"
- External Reporting
 - Is the number and quality of reports made to GFU (see annual report of firm) commensurate with other firms in same peer group?

8



Implementation

- Notes to be published/issued on the 15th November
- Implementation date is 15th December to coincide with 3MLD
- GoG may issue legislative amendments to transpose 3MLD.... Not sure about date
- If legislation is changed, legislative references in the Notes will need to be updated
- FSC continues ahead
- All risk assessments being carried out in **new year**, start using the new approach to AML/CFT compliance and request Compliance Report instead of AML Risk Assessment Questionnaire

9



Summary

- New approach requires senior management to be proactive not passive
- Thought processes of a firm need to be documented
- Practice V Theory needs to be capable of being matched through documentation
- Adequacy of systems is most important consideration.

10