

GUIDANCE: Pro forma Practice Wide Money Laundering/Terrorist Financing (ML/TF) - Risk Assessment

\*\* Note guidance is based on AML Draft Guidance for the Accountancy Sector issued in September 2020 and awaiting HMT approval \*\*

Pro forma documentation and associated guidance for use by small firms registered for AML Supervision with the CIOT or ATT

The pro forma risk assessment included in this document is an example only and **must** be tailored by the member for use in their own practice.

No pro forma document can cover every set of facts and circumstances in connection with the assessment of ML/TF risks relating to a supervised firm.

Whilst every care has been taken in the preparation of this document, the pro forma document and the guidance does not purport to be a comprehensive statement of the relevant law.

The CIOT, the ATT, and all those involved in the preparation and approval of this document shall not be liable for any direct or indirect loss, consequential loss, loss of profits or loss of reputation occasioned by reliance on this document.

Use of the document does not indicate that there would be no action points arising from an AML inspection visit as the document must be tailored appropriately by any firm using it.

This guidance is not a substitute for taking appropriate legal and other professional advice. It should be read alongside [The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017](https://www.legislation.gov.uk/uksi/2017/692/pdfs/uksi_20170692_en.pdf) as amended by [The Money Laundering and Terrorist Financing (Amendment) Regulations 2019](https://www.legislation.gov.uk/uksi/2019/1511/pdfs/uksi_20191511_en.pdf) and [The Money Laundering and Terrorist Financing (Amendment) (EU Exit) Regulations 2020](https://www.legislation.gov.uk/uksi/2020/991/contents/made) (collectively referred to as MLR in this document) and [AML Guidance for the Accountancy Sector](https://www.ccab.org.uk/wp-content/uploads/2020/10/AMLGuidance2020.pdf).

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**Note:** The pro forma risk assessment has been designed for use by small firms. Larger firms and those dealing with niche tax planning areas may need to write their own more detailed documents or see what training providers have to offer. The document **must** be tailored in order to reflect the requirements of your practice. Areas which may require amendment in the pro forma risk assessment document are shown in red. Instructions as to what to do are in *green italics.*

Introduction

This document has been designed to assist small business practitioners assess and understand their exposure to money laundering and terrorist financing (ML/TF) risks by providing practical guidance regarding the steps and actions that may be carried out to determine the extent of those risks.

This guidance and the attached pro forma document is considered to be most suitable for small firms subject to AML supervision by the CIOT or ATT.

Each firm will need to amend the pro forma to ensure it reflects the risks in relation to their own practice and clients.

# Background

The MLR require all regulated/supervised businesses to ensure that they put in place and monitor effective internal controls to mitigate ML/TF risk.

A risk assessment is a necessary requirement for each supervised business under regulation 18 of MLR 2017. The regulations state: -

***“****18. (1) A relevant person must take appropriate steps to identify and assess the risks of money laundering and terrorist financing to which its business is subject.*

*(2) In carrying out the risk assessment required under paragraph (1), a relevant person must take into account:*

*(a) information made available to them by the supervisory authority under regulations 17(9) and 47, and*

*(b) risk factors including factors relating to:*

*(i) its customers;*

*(ii) the countries or geographic areas in which it operates;*

*(iii) its products or services;*

*(iv) its transactions; and*

*(v) its delivery channels.*

*(3) In deciding what steps are appropriate under paragraph (1), the relevant person must take into account, the size and nature of its business.”*

The accurate assessment of ML/TF risks faced by a business enables there to be a proportionate response to the risks.

Note: The risk assessment is the foundation to the AML policies, controls and procedures.

A realistic analysis of risk will enable you to focus the greatest resources on the greatest areas of risk. It is important to ensure there is supporting information for your risk assessment showing how you have identified the risks for the business.

All financial service providers, including tax practitioners will, inherently, have potential ML/TF risks associated to their business by virtue of the products and services they offer.

The ML/TF risk assessment is designed to help businesses understand and therefore mitigate those risks, even if overall the risk of them occurring is low.

# Q&A on firm wide risk assessments

## Q1. When should the risk assessment document be put in place and how often should it be revisited and updated?

A new firm should ensure they prepare a risk assessment of their practice **as soon as possible** after starting in business and should be followed by preparation of a policies and procedures document setting out how AML risk will be managed and mitigated.

It is good practice for the risk assessment to be reviewed at least on an annual basis and updated periodically as necessary.

We recommend, the risk assessment be reviewed in the interim if, for example, there is a change in the firm’s client base, services provided etc. as these changes may result in a change to the risk profile of the business.

Any updates to either regulations or legislation may also require changes to be made. This updated document reflects the legislation applying as at 1 December 2021.

When the document is reviewed, you should record that review, even if no changes have been made.

Where changes have been made it is important you make sure all employees (where relevant) are made aware of the changes.

## Q2. Why is there a section on the pro forma document suggesting different areas of the business might have different risks associated with them?

Firms will have varied risks across different areas of work. For example, some members may deal with relatively low risk tax returns for clients who are employees as well as higher risk tax advisory work involving complex corporate structures and trusts.

It can be helpful to identify that different risks apply in different areas of the business to ensure that controls, policies and procedures reflect the risks in those different areas.

If a firm considers that all areas of the firm have the same level of risk, then this section of the guidance can be removed. If this section is left in the document, risk should be noted in relation to each area.

## Q3. Why do the appendices include tables which need to be completed?

There are a number of risk areas where ML/TF is more likely to occur. The tables in the appendices and the additional information required are a guide to assist in identifying the risks in relation to particular businesses. Once risks have been identified that will assist the firm to identify what policies and procedures are required to manage those risks.

AML Supervisors are entitled to request supporting information in support of the practice risk assessment and, whilst completion of the appendices is not mandatory, firms need to be able to demonstrate to the CIOT or ATT how they have reached their risk assessment.

## Q4. Does the firm wide ML/TF risk assessment need to be sent to the CIOT or ATT as our AML supervisory body?

The ML/TF practice risk assessment document does not need to be sent to the CIOT or ATT unless a firm is asked to submit it.

The CIOT or ATT will always ask to see the completed ML/TF practice risk assessment as part of an AML inspection visit. However, they may also request sight of this document in other circumstances. (See the comments under Q5 below in relation to answers provided on the AML registration and annual renewal forms).

Q5. If we use this pro forma document, does that mean if the firm is inspected, that there will be no penalties for non-compliance with MLR?

The CIOT and ATT cannot, and will not, confirm that use of this pro forma document will ensure the firm avoids sanctions by the CIOT and ATT as AML supervisory bodies nor action by the UK courts if there have been failures in AML compliance within a firm.

**Note:** All those supervised by the CIOT or ATT should note that they may be referred to the Taxation Disciplinary Board if they provide inaccurate answers on their AML Registration or Annual Renewal Form. One example of this would be where they answer “yes” to questions relating to having a written firm wide risk assessment in place and are later found to not have one.

## Q6. What other guidance is available to assist a firm in preparing the firm wide ML/TF risk assessment?

Chapter 4 of [AML Guidance for the Accountancy Sector](https://www.ccab.org.uk/wp-content/uploads/2020/10/AMLGuidance2020.pdf)[[1]](#footnote-2) provides information for supervised firms in relation to the risk based approach. In addition, FAQ 36 of the AML FAQ prepared by the [CIOT](https://ciotmktgprodeun.azureedge.net/aml-frequently-asked-questions)[[2]](#footnote-3) and [ATT](https://www.att.org.uk/aml-frequently-asked-questions-0)[[3]](#footnote-4) covers helpful guidance for those wishing to write their own practice risk assessment.

Supervised firms report to us that they like to use template documents.

Templates suitable for all firms can be obtained from some of the training providers detailed on the websites [here](https://ciotmktgprodeun.azureedge.net/external-training-providers)[[4]](#footnote-5) (CIOT) and [here](https://www.att.org.uk/members/anti-money-laundering/id-verification-training-providers)[[5]](#footnote-6) (ATT).

# Pro forma Firm Wide Money Laundering/Terrorist Financing Risk Assessment

## **Firm Wide Risk Assessment**

**Under Regulation 18 MLR 2017 – [Name of Firm]**

**Purpose of this document:**

Under the requirements of regulation 18 (1) MLR 2017 a supervised firm “must take appropriate steps to identify and assess the risks of money laundering and terrorist financing to which its business is subject.”

This ML/TF risk assessment has been carried out with the purpose of identifying and recording ML/TF risks that [name of firm] may find itself exposed to.

A note of all the steps taken to reach this risk assessment are set out on the attached appendix.

**Note**: A record of this risk assessment and the steps taken to identify and assess those risks will always be available for inspection by the CIOT or ATT as the firm’s AML supervisory body.

**Risk assessment – overview**

We have determined that overall ML/TF risk in relation to [name of firm] is [high/medium/low].

For further detail as to how this risk assessment has been reached, please refer to the attached appendix and note the additional comments below.

*[Add the next section if appropriate for the practice – refer back to Q2 in the guidance. This section does not need to be used if the firm considers that the overall risk referred to above applies to all areas of the practice]]*

**[Risk assessment – Areas of the practice]**

This firm undertakes a number of distinct areas of work. Each of these have been considered and the risk ratings in relation to each area of work are as follows:

*[Set out areas of work undertaken by the practice, some examples are included]*: -

* Accounts work - [high/medium/low]
* Tax Compliance - [high/medium/low]
* Tax Advisory - [high/medium/low]
* VAT Advice - [high/medium/low]
* Other [high/medium/low]]

**Risk assessment – summary of factors taken into consideration and main risks identified**

Regulation 18 (2) MLR 2017 reflects that a firm is required to consider specific information available and certain risk factors.

We confirm that risk factors have been considered and taken into account in completing this risk assessment and further comments are set out below.

The information supplied by the CIOT and ATT in relation to risk in the supervised population has been considered. Based on this information, and other risks identified including those set out in the MLR and AMLGAS we have determined that this firm has the following risk factors relating to:

*[include a note in each section of risk factors identified noting none if there are no relevant risk factors]*

1. Our customers [brief summary]/[None]
2. The countries or geographic areas in which the firm operates [brief summary]/[None]
3. Our products or services [brief summary]/[None]
4. Transactions [brief summary]/[None]
5. Delivery channels [brief summary]/[None]

**Review and update**

This risk assessment and the supplementary information on which it is based will be reviewed [annually/alternative timescale] or more frequently if additional risks are identified before the next date set for review.

**Mitigation of risk**

The firm’s Anti-Money Laundering (AML) Policies and Procedures specifically set out the control environment and address the actions to be taken to mitigate the ML/TF risks associated with the work undertaken by this firm.

**[Name of member]**

**[Name of firm]**

**Last updated [dd/mm/yyyy]**

## **Appendix 1 - Risk assessment methodology – step guide**

A summary of information on which the ML/TF risk assessment is based, and the steps to be taken to complete the firm’s ML/TF risk assessment are set out below:

**Step One – Gather and summarise internal information:**

Start by considering and identifying the ML/TF risk associated with your firm. It is important to take a step back and have to hand some basic information in relation to clients, services and the compliance approach within the business, in order to work through this risk assessment. Some suggestions are set out below and may be of assistance.

We recommend that you complete Step One in some detail before moving on to Step Two. However, some small firms may be able to deal with Step One by simply having your client list to hand as you work through the risk assessment:

1. ***Clients - mark your client list with details such as those set out below and summarise in the boxes provided ready to compare your clients with the risk assessment categories.***

**Table 1**

|  |  |  |
| --- | --- | --- |
| **Details to collate to assist with the risk review** | **See** **Notes** | **The % of (a) the client database and (b) fees generated by this number**  |
| How many clients do we act for. |  |  |
| How many clients have we not met. |  |  |
| Numbers of clients with:* known criminal convictions relating to proceeds of crime
* who are on the sanctions/proscribed terrorist lists
 | **1.** |  |
| Numbers of clients where:* it is unclear why they have chosen the firm as their professional adviser
* there is a reluctance to provide information or undue secrecy
* clients are uncooperative about providing client due diligence information
* there are unnecessarily complex ownership structures
* the firm has been offered an unusually high fee or been asked for advice outside the usual areas of speciality
* the client trades for a short period, closes down, and then starts up a new business
* the client has multiple bank accounts or foreign accounts with no good reason
 |  |  |
| **Details to collate to assist with the risk review** | **See** **Notes** | **The % of (a) the client database and (b) fees generated by this number**  |
| How many clients do we have operating in/working for businesses, in a particular profession/industry (if helpful categorisation could be done based on company SIC codes).List the main professions/industries and the number of clients in those professions/industries.How many clients take on work outside their normal range of goods and services.How many clients are involved in transactions which:* are complex; or
* are unusually large; or
* have an unusual pattern; or
* have no apparent economic or legal purpose; or
* have an unusual/unknown source of funds
 |  |  |
| How many clients are politically exposed persons (“PEPs”) or are a family member or known close associate of a PEP. | **2.** |  |
| How many clients approach the firm for: * advice on one-off transactions only
* require ongoing work
 |  |  |
| Based on what is known about clients, how many are at risk of understating their income or overstating their expenses (or would be if records were not checked and follow up action not taken with clients). How many have a lifestyle and/or transactions which are inconsistent with known business and personal information. |  |  |
| How many clients fail to bring their tax affairs up to date even after being advised of the implications. [Note the guidance set out in the Professional Conduct in Relation to Taxation help sheet on irregularities (see [here](https://ciotmktgprodeun.azureedge.net/professional-conduct-in-relation-to-taxation-pcrt)[[6]](#footnote-7) for CIOT and [here](https://www.att.org.uk/members/professional-standards-ethics/professional-conduct-relation-taxation)[[7]](#footnote-8) for ATT) and note the potential money laundering reporting requirements]. |  |  |
| How many individual client risk assessments are in each category of:* High
* Medium
* Low
 | **3.** |  |

1. ***Countries or geographies - mark your client list with details such as those set out below and summarise in the boxes provided ready to compare your clients with the supervisory risk assessment categories.***

**Table 2**

|  |  |  |
| --- | --- | --- |
| **Details to collate to assist with the risk review** | **See Notes** | **The % of (a) the client database and (b) fees generated by this number in each country** |
| How many clients are based overseas and where are they based. (This will enable you to consider whether any are based in high risk countries, countries with a high corruption index score etc under Step Two).Are there transactions where either of the parties is established in a high risk third country (both parties to a transaction must be considered not just the firm’s client). | **4.** |  |

1. ***Products and services– think through all of the services you provide and how they are provided. Can you answer these basic questions:***

**Table 3**

|  |  |  |
| --- | --- | --- |
| **Details to collate to assist with the risk review** | **See Notes** | **The % of (a) the client database and (b) fees generated for each type of service** |
| What services are provided by the firm and how many clients/what percentages of fees relates to each service. |  |  |
| Which of these services give scope to identify ML/TF.Which areas are ones where ML/TF is most likely to occur.(Base the above consideration initially on the services which you consider give scope to identify ML/TF and then review again under Step Two based on the risk factors set out there. For example, you may consider advice to clients on capital gains gives scope to identify ML/TF in relation to the source of funds for initial property purchases. On reviewing Table 2 you may then note that you deal with a number of HNW clients investing in UK property and consider what percentage of your client base/fees relate to this work to assist you in assessing risk). |  |  |
| Is trust or company service provider work undertaken.  | **5.** |  |
| Is money received, held or paid out on behalf of clients as part of the service provided.Is there a client account through which client money passes.Is there direct access to a client’s account. |  |  |

1. ***Transactions – think through the transactional work undertaken.***

**Table 4**

|  |  |  |
| --- | --- | --- |
| **Details to collate to assist with the risk review** | **See** **Notes** | **The % of (a) the client database and (b) fees generated by this number** |
| Is advice given on complex or unusually large transactions. |  |  |
| Is money received, held or paid out on behalf of clients as part of the transactional service provided.Is there a client account through which client money passes. |  |  |
| Are the nature of services provided one-off or on-going services. |  |  |

1. ***Delivery channels – think through how services are provided and make a note ready to consider how the practice operates in comparison with the factors set out on the supervisory risk assessment.***

**Table 5**

|  |  |
| --- | --- |
| **Details to collate to assist with the risk review** | **The % of (a) the client database and (b) fees generated by this number** |
| How are services provided to clients:* Online
* Face to face
* Only to local clients
* To national clients not all of whom are met
* To international clients not all of whom are met
* Other
 |  |

1. ***Compliance – consider factors that increase or lower risks in this area.***

**Table 6**

|  |  |
| --- | --- |
| ***Questions for consideration*** | ***Yes/No/Comments*** |
| Do we ensure compliance with all CIOT or ATT AML scheme requirements are kept up to date. |  |
| Are we familiar with information available on the CIOT or ATT website in connection with AML and do we read and consider all newsletters received etc. |  |
| Are we familiar with [AML Guidance for the Accountancy Sector (AMLGAS)](https://www.ccab.org.uk/wp-content/uploads/2020/09/AMLGuidance2020.pdf)[[8]](#footnote-9) and are the procedures set out there operated within the practice. |  |
| Are there any staff and is their work reviewed and monitored. |  |
| Is our AML training up to date and are all the staff fully trained. |  |
| Is the firm growing or has the client base been static for a number of years. |  |
| Has the firm considered ML/TF risks associated with:1. New technology
2. New products
3. New business practices

Any relevant risks should be set out in the box provided. |  |
| Does the firm have an implemented and effective internal control mechanism (e.g. reconciliations of client account). |  |
| Does the firm carry out regular compliance monitoring. |  |

**Step Two – Bring in external information:**

Having thought through background information on your own practice consider the [CIOT Supervisory risk assessment](https://ciotmktgprodeun.azureedge.net/ciot-supervisory-risk-assessment)[[9]](#footnote-10) or the [ATT Supervisory risk assessment](https://www.att.org.uk/attciot-supervisory-risk-assessment-money-laundering-terrorist-financing-mltf)[[10]](#footnote-11). This sets out risk factors in the same categories as those referred to in Regulation 18 (2) (b) MLR 2017 and, with information on your own practice to hand, you should work through this to identify risks in your own practice.

**Note:** The list is not exhaustive and is illustrative in nature.

Just because you identify high risk areas within the practice through this review, it does not mean, you will have to cease to act/turn down, particular types, of clients, or not provide certain services. The key issue is to be able to identify risks so that appropriate arrangements can be put in place to manage and mitigate the risk.

Remember that there will be increased risk if you perform areas of work which you are not as familiar with. As set out in Professional Conduct in Relation to Taxation, a CIOT or ATT member “must not undertake professional work which they are not competent to perform unless they obtain appropriate assistance from a suitably qualified specialist”.

*\*In the second column include comments to explain any risk identified. How many clients are involved, how serious is the risk? What does the practice do to mitigate the risk?*

|  |  |
| --- | --- |
| **Clients** | **Number of clients and comments regarding client base \*****Take into account the information gathered for Tables 1 and 6 above.** |
| Undue client secrecy (e.g. reluctance to provide requested information). |  |
| Unnecessarily complex ownership structures (e.g. nominee shareholders or bearer shares or trusts). |  |
| Business activities:  |  |
| * cash based businesses
 |  |
| * dealing in or with cryptocurrency
 |  |
| * crowd funding
 |  |
| * money service bureaux
 |  |
| * arms dealers
 |  |
| * property transactions with unclear source of funds
 |  |
| **Clients** | **Number of clients and comments regarding client base \*****Take into account the information gathered for Tables 1 and 6 above.** |
| * transport/logistics businesses
 |  |
| * legal services
 |  |
| * art market participants
 |  |
| * financial services
 |  |
| Politically Exposed Persons (“PEPs”)  |  |
| New clients (outside the normal client base):* carrying out one-off transactions; or
* based in locations significantly different from normal client base; or
* in sectors or professions significantly different from normal client base
 |  |
| Rapid rate of turnover (e.g. trades for a short period of time, close down and then starts up as a new company).  |  |
| Clients taking on work which is outside their normal range of goods and services. |  |
| Clients involved in transactions that do not make commercial sense or involved in transactions where the source of funds is unusual or unknown. |  |
| High Net Worth (“HNW”) individuals/expatriates, especially where investing in UK property or where in addition to HNW the client is a PEP or high profile. |  |
| Uncooperative clients |  |
| Clients who: * have known criminal convictions relating to the proceeds of crime
* are on the sanctions/terrorist list or have links to those on the sanctions/terrorist lists
 |  |
| Clients whose lifestyle and/or transactions are inconsistent with known business and personal information  |  |
| **Clients** | **Number of clients and comments regarding client base \*****Take into account information gathered for Tables 1 and 6 above.** |
| Clients with multiple bank accounts or foreign accounts with no good reason; or  |  |
| Clients who:* have changed professional advisers a number of times in a short space of time without legitimate reasons
* the service being requested was refused by another professional adviser without legitimate reasons; or
* clients which are prepared to pay substantially higher fees than usual without legitimate reasons.
 |  |
| A client whose business has changed significantly during COVID (or other similar major incidents). |  |
| *Other customer risk factors identified in relation to this practice (including any identified from MLR, AMLGAS as set out in note 6 or the 2020 National Risk Assessment).*  |  |

|  |  |
| --- | --- |
| **Countries or geographies** | **Number of clients and comments regarding client base \*****Take into account the information gathered for Tables 2 and 6 above.** |
| The ML/TF is potentially high where: |  |
| Client or either party to a transaction are established in a high risk third country.For these purposes the regulations specifically state that “a “high risk third country” means a country identified in [schedule 3ZA](https://www.legislation.gov.uk/uksi/2021/392/regulation/2/made)[[11]](#footnote-12) to MLR. This list replicates those countries listed by the [Financial Action Taskforce](https://www.fatf-gafi.org/)[[12]](#footnote-13) as [high risk](https://www.fatf-gafi.org/countries/#high-risk)[[13]](#footnote-14), or [under increased monitoring](https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/?hf=10&b=0&s=desc(fatf_releasedate))[[14]](#footnote-15).  |  |
| Clients based in or with connections to countries with significant levels of corruption. Refer to details of countries with a high score on the Transparency International [corruption perceptions index](https://www.transparency.org/en/cpi/2020/index/nzl)[[15]](#footnote-16). |  |
| Clients based in or with connections to countries identified on the [Financial Sanctions listings](https://www.gov.uk/government/collections/financial-sanctions-regime-specific-consolidated-lists-and-releases)[[16]](#footnote-17). |  |
| Clients based in or with connections to countries identified as part of the [HM Treasury’s National Risk Assessment 2020](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/945411/NRA_2020_v1.2_FOR_PUBLICATION.pdf)[[17]](#footnote-18).  |  |
| *Other geographical risk factors identified in relation to this practice (including any identified from MLR, AMLGAS as set out in Note 6 or the 2020 National Risk Assessment).* |  |

|  |  |
| --- | --- |
| **Products and Services** | **Number of clients and comments regarding client base \*****Take into account the information gathered for Tables 3 and 6 above** |
| Investigations work where there might be a criminal element.  |  |
| Aggressive tax planning potentially resulting in tax evasion.  |  |
| Property advice including VAT and SDLT.  |  |
| Insolvency services.  |  |
| Investment business, including investing in cryptocurrencies.  |  |
| Trust and company services, in particular one off work on company formation.  |  |
| Payroll services, e.g. fictitious employees or retaining PAYE/NIC/pensions contributions.  |  |
| Probate and estate management.  |  |
| Tax and accounting services where there are concerns that the underlying books and records may have been falsified  (legitimising books and records). |  |
| Products that may favour anonymity.  |  |
| Central and local government support schemes. |  |
| *Other products and services risk factors identified in relation to this practice (including any identified from MLR, AMLGAS as set out in Note 6 or the 2020 National Risk Assessment).* |  |
| **Transactions** | **Number of clients and comments regarding client base \*****Take into account the information gathered for Tables 4 and 6 above** |
| Most tax adviser services do not involve the facilitation of transactions. However, client money bank accounts may be at high risk of being used for ML/TF.  |  |
| *Other transactional risk factors identified in relation to this practice (including any identified from MLR, AMLGAS as set out in Note 6 or the 2020 National Risk Assessment).* |  |

|  |  |
| --- | --- |
| **Delivery channels and other points** | **Number of clients and comments regarding client base \*****Take into account the information gathered for Tables 5 and 6 above** |
| Providing services to clients online, without meeting them, may increase the risk of being used for money laundering or terrorist financing. |  |
| Combining services/factors – consider all the risks identified above and whether a combination of them makes particular client(s) higher risk eg. setting up a company and then using that company to purchase property and disguise beneficial ownership. |  |
| *Other delivery channel risk factors identified in relation to this practice (including any identified from MLR, AMLGAS as set out in Note 6 or the 2020 National Risk Assessment).* |  |

**Step Three:**

Use the information gathered through use of these prompts to update the practice risk assessment pro forma. You will need to use all of the information you have considered to come up with the overall risk assessment rating for the practice (to be added to the section on the pro forma referred to as risk assessment – overview).

Take information from each of the sections under Step Two to add to the pro forma risk assessment in relation to each risk factor.

Retain this preparatory document in support of your ML/TF Risk Assessment.

**Step Four:**

Once you have assessed the ML/TF risks in relation to your practice you need to consider what policies and procedures you will put in place to manage and mitigate those risks. A separate pro forma document is available to assist with this.

**Notes:**

|  |  |  |
| --- | --- | --- |
| **Number**  | **Section** | **Further Information** |
| 1 | Appendix 1 – Step One, Table 1  | The financial sanctions lists can be accessed [here](https://www.gov.uk/government/publications/financial-sanctions-consolidated-list-of-targets)[[18]](#footnote-19)The proscribed terrorist lists can be accessed [here](https://www.gov.uk/government/publications/proscribed-terror-groups-or-organisations--2)[[19]](#footnote-20) |
| 2 | Appendix 1 – Step One, Table 1 | Politically Exposed Persons (PEPs) are individuals who are entrusted with prominent public functions, other than as middle-ranking or more junior officials.Further guidance on AML risks in relation to PEPs can be found in the FCA guidance:<https://www.fca.org.uk/publication/finalised-guidance/fg17-06.pdf> |
| 3 | Appendix 1 – Step One, Table 1 | Each client the firm acts for should be risk assessed at the start of the business relationship. There should also be ongoing monitoring of risk. You should have a note of the risk assessment of all your individual clients. If this is not available it should be put in place so there is evidence of the risk assessment of individual clients. |
| 4 | Appendix 1 – Step One, Table 1 | A “high risk third country” means a country identified in [schedule 3ZA](https://www.legislation.gov.uk/uksi/2021/392/regulation/2/made)[[20]](#footnote-21) to MLR. This list replicates those countries listed by the [Financial Action Taskforce](https://www.fatf-gafi.org/)[[21]](#footnote-22) as [high risk](https://www.fatf-gafi.org/countries/#high-risk)[[22]](#footnote-23), or [under increased monitoring](https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/increased-monitoring-june-2021.html)[[23]](#footnote-24). Other lists of high risk countries are also available and you should also refer to the following when considering the geographical risks in relation to clients and transactions: * [financial sanctions listings](https://www.gov.uk/government/collections/financial-sanctions-regime-specific-consolidated-lists-and-releases)[[24]](#footnote-25)
* countries identified by The Financial Action Task Force as being [high-risk jurisdictions](http://www.fatf-gafi.org/countries/#high-risk)*[[25]](#footnote-26)*
* the Transparency International [corruption perceptions index](https://www.transparency.org/en/cpi/2020/index/nzl)[[26]](#footnote-27)
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| 5 | Appendix 1 – Step One, Table 3 | A “Trust or Company Service Provider” means a firm or sole practitioner who by way of business provides any of the following services to other persons, when that firm or practitioner is providing such services:(a) forming companies or other legal persons;(b) acting, or arranging for another person to act:(i) as a director or secretary of a company;(ii) as a partner of a partnership; or(iii) in a similar capacity in relation to other legal persons;(c) providing a registered office, business address, correspondence or administrative addressor other related services for a company, partnership or any other legal person or legal arrangement;(d) acting, or arranging for another person to act, as:(i) a trustee of an express trust or similar legal arrangement; or(ii) a nominee shareholder for a person other than a company whose securities are listed on a regulated market. |
| 6 | Appendix 1, Step Two, Other risk factors as set out in AMLGAS | **APPENDIX D: risk factors – per regulations 33(6) & 37(3)** **High risk factors:** **Customer risk factors,** including whether - i. the business relationship is conducted in unusual circumstances; ii. the customer is resident in a geographical area of high risk (see Geographical risk factors below); iii. the customer is a legal person or legal arrangement that is a vehicle for holding personal assets; iv. the customer is a company that has nominee shareholders or shares in bearer form; v. the customer is a business that is cash intensive; vi. the corporate structure of the customer is unusual or excessively complex given the nature of the company’s business; vii. the customer is the beneficiary of a life insurance policy (note: that the *business* has provided); viii. the customer is a third country national who is applying for residence rights or citizenship of an EEA state in exchange for transfers of capital, purchase of a property, government bonds or investment in corporate entities in that EEA state. **Product, service, transaction or delivery channel risk factors,** including whether— i. the product involves private banking; ii. the product or transaction is one which might favour anonymity; iii. the situation involves non-face-to-face business relationships or transactions, without certain safeguards, such as electronic identification processes which meet the safeguards as outlined in 5.3.42; iv. payments will be received from unknown or unassociated third parties; v. new products and new business practices are involved, including new delivery mechanisms, and the use of new or developing technologies for both new and pre-existing products; vi. the service involves the provision of nominee directors, nominee shareholders or shadow directors, or the formation of companies in a third country; vii. there is a transaction related to oil, arms, precious metals, tobacco products, cultural artefacts, ivory and other items related to protected species, and other items of archaeological, historical, cultural and religious significance or of a rare scientific value. **Geographical risk factors**, including -i. countries identified by credible sources, such as mutual evaluations, detailed assessment reports or published follow-up reports, as not having effective systems to counter money laundering or terrorist financing; ii. countries identified by credible sources as having significant levels of corruption or other criminal activity, such as terrorism (within the meaning of Section 1 of the Terrorism Act 2000(a)), money laundering, and the production and supply of illicit drugs; iii. countries subject to sanctions, embargos or similar measures issued by, for example, the European Union or the United Nations;iv. countries providing funding or support for terrorism; v. countries that have organisations operating within their territory which have been designated— (aa) by the government of the United Kingdom as proscribed organisations under Schedule 2 to the Terrorism Act 2000(a), or (bb) by other countries, international organisations or the European Union as terrorist organisations; vi. countries identified by credible sources, such as evaluations, detailed assessment reports or published follow-up reports published by the Financial Action Task Force, the International Monetary Fund, the World Bank, the Organisation for Economic Co-operation and Development or other international bodies or non-governmental organisations as not implementing requirements to counter money laundering and terrorist financing that are consistent with the recommendations published by the Financial Action Task Force in February 2012 and updated in October 2016. **Low risk factors:** **Customer risk factors**, including whether the customer - i. is a public administration, or a publicly owned enterprise; ii. is an individual resident in a geographical area of lower risk (see sub-paragraph (c)); iii. is a credit institution or a financial institution which is - (aa) subject to the requirements in national legislation implementing the fourth money laundering directive as an obliged entity (within the meaning of that directive), and (bb) supervised for compliance with those requirements in accordance with Section 2 of Chapter VI of the fourth money laundering directive; iv. is a company whose securities are listed on a regulated market, and the location of the regulated market; **Product, service, transaction or delivery channel risk factors**, including whether the product or service is - i. a life insurance policy for which the premium is low; ii. an insurance policy for a pension scheme which does not provide for an early surrender option, and cannot be used as collateral; iii. a pension, superannuation or similar scheme which satisfies the following conditions— (aa) the scheme provides retirement benefits to employees; (bb) contributions to the scheme are made by way of deductions from wages; and (cc) the scheme rules do not permit the assignment of a member’s interest under the scheme; iv. a financial product or service that provides appropriately defined and limited services to certain types of customers to increase access for financial inclusion purposes in an EEA state; v. a product where the risks of money laundering and terrorist financing are managed by other factors such as purse limits or transparency of ownership; vi. a child trust fund within the meaning given by Section 1(2) of the Child Trust Funds Act 2004(a);vii. a junior ISA within the meaning given by regulation 2B of the Individual Savings Account Regulations 1998(b); **Geographical risk factors,** including whether the country where the customer is resident, established or registered or in which it operates is - i. an EEA state; ii. a third country which has effective systems to counter money laundering and terrorist financing; iii. a third country identified by credible sources as having a low level of corruption or other criminal activity, such as terrorism (within the meaning of Section 1 of the Terrorism Act 2000(c)), money laundering, and the production and supply of illicit drugs; iv. a third country which, on the basis of credible sources, such as evaluations, detailed assessment reports or published follow-up reports published by the Financial Action Task Force, the International Monetary Fund, the World Bank, the Organisation for Economic Co-operation and Development or other international bodies or nongovernmental organisations - (aa) has requirements to counter money laundering and terrorist financing that are consistent with the revised Recommendations published by the Financial Action Task Force in February 2012 and updated in October 2016; and (bb) effectively implements those Recommendations. |

1. <https://www.ccab.org.uk/wp-content/uploads/2020/10/AMLGuidance2020.pdf> [↑](#footnote-ref-2)
2. <https://ciotmktgprodeun.azureedge.net/aml-frequently-asked-questions> [↑](#footnote-ref-3)
3. <https://www.att.org.uk/aml-frequently-asked-questions-0> [↑](#footnote-ref-4)
4. <https://ciotmktgprodeun.azureedge.net/external-training-providers> [↑](#footnote-ref-5)
5. <https://www.att.org.uk/members/anti-money-laundering/id-verification-training-providers> [↑](#footnote-ref-6)
6. <https://ciotmktgprodeun.azureedge.net/professional-conduct-in-relation-to-taxation-pcrt> [↑](#footnote-ref-7)
7. <https://www.att.org.uk/members/professional-standards-ethics/professional-conduct-relation-taxation> [↑](#footnote-ref-8)
8. <https://www.ccab.org.uk/wp-content/uploads/2020/09/AMLGuidance2020.pdf> [↑](#footnote-ref-9)
9. <https://ciotmktgprodeun.azureedge.net/ciot-supervisory-risk-assessment> [↑](#footnote-ref-10)
10. <https://www.att.org.uk/att-supervisory-risk-assessment> [↑](#footnote-ref-11)
11. <https://www.legislation.gov.uk/uksi/2021/392/regulation/2/made> [↑](#footnote-ref-12)
12. <https://www.fatf-gafi.org/> [↑](#footnote-ref-13)
13. <https://www.fatf-gafi.org/countries/#high-risk> [↑](#footnote-ref-14)
14. <https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/?hf=10&b=0&s=desc(fatf_releasedate)> [↑](#footnote-ref-15)
15. <https://www.transparency.org/en/cpi/2020/index/nzl> [↑](#footnote-ref-16)
16. <https://www.gov.uk/government/collections/financial-sanctions-regime-specific-consolidated-lists-and-releases> [↑](#footnote-ref-17)
17. <https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/945411/NRA_2020_v1.2_FOR_PUBLICATION.pdf> [↑](#footnote-ref-18)
18. <https://www.gov.uk/government/publications/financial-sanctions-consolidated-list-of-targets> [↑](#footnote-ref-19)
19. <https://www.gov.uk/government/publications/proscribed-terror-groups-or-organisations--2> [↑](#footnote-ref-20)
20. <https://www.legislation.gov.uk/uksi/2021/392/regulation/2/made> [↑](#footnote-ref-21)
21. <https://www.fatf-gafi.org/> [↑](#footnote-ref-22)
22. <https://www.fatf-gafi.org/countries/#high-risk> [↑](#footnote-ref-23)
23. <https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/increased-monitoring-june-2021.html> [↑](#footnote-ref-24)
24. <https://www.gov.uk/government/collections/financial-sanctions-regime-specific-consolidated-lists-and-releases> [↑](#footnote-ref-25)
25. <https://www.fatf-gafi.org/countries/#high-risk> [↑](#footnote-ref-26)
26. <https://www.transparency.org/en/cpi/2020/index/nzl> [↑](#footnote-ref-27)