

Anti-money laundering: matter risk assessments

Andrew Bryan, Anti-Money Laundering Policy Associate
Declan Brown, AML Regulatory Manager

The AML landscape

- Regs are in place to prevent ML/TF
- We have a duty to supervise and are engaging with firms
- Our supervisory activities are overseen by OPBAS
- Most recent significant overhaul of the regs in 2017

- **National Risk Assessment** from the Home Office
- Our **sectoral** risk assessment
- **In firms:**
 - Regulation 18 - firm-wide risk assessment
 - Regulation 28(12) - client and matter risk assessments
 - Risk components & determination of customer due diligence



At the core of case risk...

Regulation 28 of the MLRs...

- (12) The ways in which a firm complies with the requirement to take customer due diligence measures, and the **extent** of the measures taken must reflect—
 - (i) the risk assessment carried out by the firm under **regulation 18(1)**;
 - (ii) its assessment of the level of **risk arising** in any particular case;

What must go in it?

Based on our publications, and your own regulation 18 risk assessment, consider risks across:

Clients

Geography

Products

Transactions

Delivery
channels

What must go in it?

Other **case** specifics from Reg 28:

- purpose
- size of the money or assets
- regularity and duration of business relationship

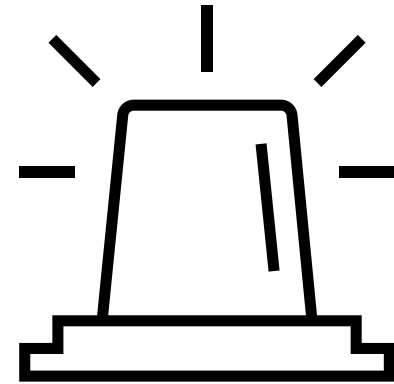


When should I do it?

- Do it every matter, for every client
- Write it down in case anything goes wrong
- Make sure everybody knows how to access it
- Make sure everybody can read and understand it

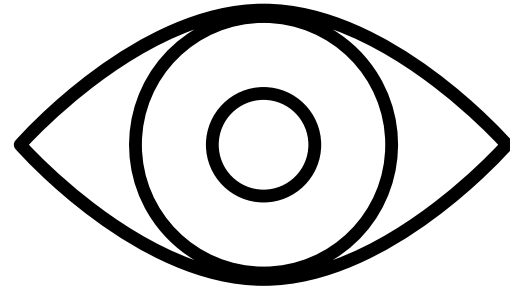
Matter risk assessments

- Client Due Diligence (CDD) –
Regulation 28(12) and (13)
MLR2017
- Enhanced Due Diligence (EDD) –
Regulation 33(6) MLR



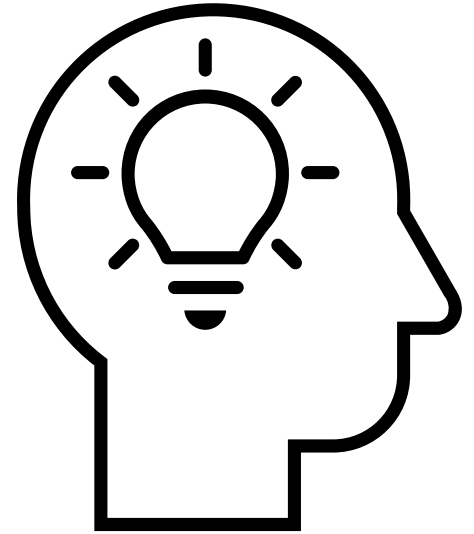
What we are seeing

- 29% of files did not contain a risk assessment
- No identifiable risk level on files
- Assuming e-verification is a risk assessment
- Conflicting information with FWRA

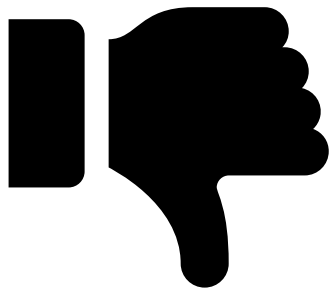


Good practice

- Make sure risk assessments are recorded
- Set out factors which fee earners must consider
- Review certain milestones
- Independent audit (Regulation 21(1)(c))



Bad practice



- Not documenting risk assessments
- Fee earners not having sight of client/matter risk assessments
- Pro forma documents

Questions

Submit your questions
through the link in the
YouTube description



Your views on our Business Plan



We are consulting on our draft business plan 2021/22 – www.sra.org.uk/consultations



Outlines how we will allocate our resources and budget



Consultation runs from 6 May-25 June



Tells us your views [Business Plan and Budget 2021 - 22 \(sra.org.uk\)](http://www.sra.org.uk)