



**Firm-wide Money Laundering Risk Assessment  
Guidance**

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## 1. BACKGROUND

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 came into effect on 26 June 2017. For simplicity, these will be referred to as the ML Regs 2017. Any reference in this publication to money laundering will also refer to terrorist financing.

Under the ML Regs 2017 every firm providing accountancy, trust or company services (“TCSP” services) is required to assess the money laundering risk impacting it. Firms are required to document this risk assessment. This will include consideration of the types of services provided, and the types of clients that the firm acts for. The firm’s risk assessment procedure should include consideration of how criminals may utilise their services to conceal proceeds of crime or carry out money laundering.

The firm-wide risk assessment should not be confused with individual money laundering risk assessments required for each client as part of the routine recording of Customer Due Diligence.

The ML Regs 2017 require firms to assess the money laundering risk for the whole firm. The risk assessment should be carried out at least annually, but updated for any new and changing risks, when they are identified.

Although it is the responsibility of the firm’s senior management to approve policies, procedures and controls, ICAS has developed a template checklist to help firms to record their considerations in this area. It covers each of the areas of relevance to enable such a risk assessment to be carried out and formally recorded.

Using the risk assessment should assist practitioners to determine the areas of most risk, and hence dedicate sufficient resources and activities to minimise and mitigate the risks identified.

Resources like [FATF’s mutual evaluations](#) and [Transparency International’s corruption perception index](#) can be useful when determining the money laundering risk. It is also worth considering that risk may vary across different aspects of the business, in different office and divisions or departments.

Every firm will be required to demonstrate to ICAS, as their Money Laundering supervisor, that they have conducted a risk assessment for the whole firm. ICAS may request the firm-wide risk assessment at any time.

The purpose of this template is to assist firms to reach a conclusion on their firm’s money laundering risk – it is not an alternative to an annual compliance review, which still requires to be conducted separately by the firm.

## 2. GUIDANCE FOR COMPLETING THE RISK ASSESSMENT

ICAS has prepared the risk template to assist you to record your firm’s risk assessment. This template is not mandatory and you can develop or record your risk assessment in whatever format you prefer, as long as it covers the five key risk criteria highlighted in the next section below.

There are also other example risk templates in commercial manuals. The money laundering section of the General Practice Procedures Manual (GPPM), for example, which ICAS makes available to all supervised firms for free, also contains a risk template which can be used, if preferred.

How you use the template will depend on the nature of your firm. If, for example, different segments of your firm, such as different offices or departments, have very different risk profiles you may find it suitable to conduct a risk profile at each segment level and then consolidate these into one final overall risk assessment.

There are two case studies available for review at [icas.com](https://www.icas.com)

### Step1: Identify Risks

The first aspect to be undertaken is to identify and document the money laundering risks facing the firm. The ML Regs 2017 require that this should encompass the following 5 risk areas:

1. **Clients:** consideration of the nature of the clients the firm acts for.
2. **Geography:** where the clients operate.
3. **Services:** the nature of the services that the firm provide the clients.
4. **Transactions:** the nature of transactions.
5. **Delivery Channels:** the firm's means of delivering services.

Each of the above risks is contained in a separate section within the template.

The template is designed as an "aide-memoire" to assist firms to document and consider the main risk factors that impact practices.

**It should not be depended upon as a complete checklist, and should be tailored to the size and nature of your firm and should include any additional risks in the firm not included in the checklist.**

### Step 2: Assess impact

Having identified risk factors, the firm should determine and record the likelihood of the risk occurring and the potential impact on the business should the risk manifest itself. The instructions accompanying the template provide guidance on how to evaluate the risk of occurrence and the potential impact.

In order to reduce the risk to a manageable level each firm should be developing a plan and approach to mitigate the risk identified.

### Step 3: Risk Mitigation

In the course of the firm-wide risk assessment, risks may be identified which in themselves may cause concern but, with appropriate mitigation, can be managed to an acceptable level. In the template there is space adjacent to the various risk factors identified to record the mitigating factors that the firm considers appropriate to allow them to continue to operate in the area of risk identified.

The ML Regs 2017 require both that relevant employees are screened, fully trained on the money laundering requirements and on identifying and dealing with activities or situations which could give rise to money laundering. They also require that all policies and procedures are communicated to and understood by staff.

Some of the ways of mitigating risk will include:

- Robust client acceptance procedures (involving MLRO/Money Laundering Compliance Principal ("MLCP") input for higher risk clients.
- Having appropriate AML policies and procedures embedded in the firm. These procedures will include Customer Due Diligence, risk assessments, and be tailored to reflect the mode of operation of the firm itself.
- A robust firm-wide risk assessment in itself.
- Staff engaged in the riskier areas should be subject to additional training and screening to ensure that they are aware of the risks and are fit and proper to perform the work.
- The MLRO or MLCP should have access to appropriate materials and personnel to ensure that they are aware of current best practice in the area as well as understanding developing and evolving risks and trends in terms of criminal activity and money laundering.
- Additional engagement review procedures (e.g. second partner review) for higher risk clients.

- Higher risk engagement should be subject to enhanced due diligence procedures.
- Regular compliance reviews, covering a wide-spread of clients, including those highlighted in your risk assessment as higher risk.
- Robust clients' money procedures, in compliance with the [Clients' Money Regulations](#).
- In extreme cases there may be no alternative but to cease to act.

#### **Step 4: Conclusion**

The final step is to pull together an overall conclusion on the main risks and mitigations and conclude on the overall money laundering risk for the firm.

#### **Next steps**

##### **Keep the risk assessment up-to-date**

Now that you have completed your firm-wide risk assessment, you require to make sure that you keep it updated. You should update your risk assessment when you become aware of any changes in the risk profile in your firm, such as the acceptance of higher risk clients or a change in services provided. However, for most firms, where there have been no significant changes, an annual review of the risk assessment may suffice. Such annual review should draw upon changes in the year, developments in the firm, the results of the compliance review, and the types of risks identified in any SARs reports made.

Principals and staffs should be alerted to any changes to the risks faced in the firm. Training should be provided, and policies and procedures amended as required.

##### **Next steps: the compliance review**

Every firm is required to conduct a compliance review at least annually. It would be a good idea to consider the effectiveness of the firm-wide risk assessment as part of this review.

### 3.INSTRUCTIONS ON COMPLETION OF CHECKLIST

#### **Step 1: Identify Risks: Sections 1 – 5**

- There are a variety of potential risk factors identified under the following sections:
  1. Clients
  2. Geographic
  3. Nature of products and services
  4. Nature of transactions
  5. Firm's delivery channels

#### **Step 2: Assess impact: Sections 1 - 5**

- Likelihood scores
  - Initially the firm should assess the likelihood of the risk factor impacting the firm.
    - This is scored from 0 – 5
    - 0 - no likelihood of the risk factor impacting the business
    - 1 – rare, may occur at some time but this would be by exception
    - 2 – unlikely, may occur at some point
    - 3 – possible, likely that the event will occur at some point
    - 4 – probable, the event is likely to occur in most cases
    - 5 – Virtually certain, the event will occur in all but exceptional cases
  - Where a likelihood score exceeds zero, the firm will then need to address the impact assessment
- Impact scores
  - The impact assessment has been graded in a similar manner
    - Again, this is scored from 0 – 5
    - 0 – No sums of money could be laundered in the circumstances
    - 1 – Very limited sums of money could be laundered and the reputational damage to the firm would be low
    - 2 – Moderate sums of money could be laundered with some reputation damage to the firm
    - 3 – Large sums of money could be laundered with significant reputation damage to the firm
    - 4 – Significant sums of money could be laundered and the principals of the firm risk criminal prosecution
    - 5 – The firm is routinely assisting in facilitating money laundering and the principals of the firm will face criminal proceedings

#### **Step 3: Risk Mitigation - Section 6**

- Each point should be answered yes, no or not applicable by placing a tick in the relevant box
- Where the tick is in a shaded box this may be indicative of an activity or issue could be considered to be of a higher risk of money laundering potential activity.
- Where a tick is placed in a shaded box, the notes sections should be utilised to help explain the firm's understanding of the potential risk identified and any mitigation taken to minimise the associated risk.

#### **Step 4: Section 7**

- Section 7 is intended to draw on all the various factors identified in the previous six sections of the template to arrive at an overall firm wide money laundering risk assessment.
- There is a separate section to summarise thoughts of each of the five risk factors reviewed in the first five sections of the template
- Section 6 suggests some mitigating factors that help minimise the risk of money laundering occurring in the firm and it is expected that the firm will utilise these procedures to reduce and restrict the potential for money laundering occurring in the firm
- There is space at the end of the form to document in narrative form a justification of the overall risk assessment considered applicable for this firm.
- Where the practice includes insolvency services, 'client' in the context of this checklist refers to the insolvent person or entity.

## FIRM-WIDE MONEY LAUNDERING RISK ASSESSMENT TEMPLATE

Name of firm:		Compliance for period:		
Completed by:		Date:		
1	Clients	Likelihood score	Impact score	Notes and/or applicable mitigation
1.1	Clients who are not locally based nor do they have an historic local connection?	Choose an item.	Choose an item.	
1.2	Clients who are not met face to face?	Choose an item.	Choose an item.	
1.3	Acts for demanding clients with onerous and pressurised requirements?	Choose an item.	Choose an item.	
1.4	Acts for un-cooperative or overly secretive clients?	Choose an item.	Choose an item.	
1.5	Acts for clients with connections to higher risk countries such as those countries with weaker money laundering regimes? <i>Set out in section 14.5.9 of GPPM</i>	Choose an item.	Choose an item.	
1.6	Acts for clients who have been convicted of criminal activity?	Choose an item.	Choose an item.	
1.7	Acts for clients with known links to organisations or individuals with criminal or terrorist activities? Or on the <a href="#">financial sanctions</a> list?	Choose an item.	Choose an item.	
1.8	Acts for domestic (i.e. UK based) politically exposed persons (PEPs)? <i>Not necessarily higher risk per <a href="#">FCA Guidance</a> but should consider.</i>	Choose an item.	Choose an item.	
1.9	Acts for overseas politically exposed persons (PEPs)?	Choose an item.	Choose an item.	
1.10	Clients sourced from marketing agencies or adverts rather than referral?	Choose an item.	Choose an item.	
1.11	Firm acts for clients with specific industry specialisms?	Choose an item.	Choose an item.	
1.12	Acts for clients where the structure, or nature of business/transactions, is unusual or complex?	Choose an item.	Choose an item.	

1	Clients	Likelihood score	Impact score	Notes and/or applicable mitigation
1.13	Acts for clients with cash intensive business activities?	Choose an item.	Choose an item.	
1.14	Acting for clients where senior management approval is required before take-on because of high-risk nature. Or any clients where concerns over the nature of the ID documentation?	Choose an item.	Choose an item.	
1.15	Any clients of the type listed in any guidance from ICAS as your AML supervisor? Example: <ul style="list-style-type: none"> <li>- cash based businesses?</li> <li>- money service bureaus?</li> <li>- arms dealers?</li> <li>-</li> </ul>	Choose an item.	Choose an item.	
1.16	Client where the service is being provided in unusual circumstances?	Choose an item.	Choose an item.	
1.17	Any client which is a legal entity/ arrangement that is a vehicle for holding personal assets?	Choose an item.	Choose an item.	
1.18	Any client which is a company that has nominee shareholders, bearer shares or nominee directors?	Choose an item.	Choose an item.	
1.19	High net worth individuals?	Choose an item.	Choose an item.	
1.20	Clients where firm has been unable to determine ultimate beneficial owner?  <i>Warning: verification of beneficial owner is required under ML Regs 2017</i>	Choose an item.	Choose an item.	
	Enter further firm-specific risks below:			
1.21		Choose an item.	Choose an item.	
1.22		Choose an item.	Choose an item.	
1.23		Choose an item.	Choose an item.	



2	Geographic Areas of Operation	Likelihood score	Impact score	Notes and/or applicable mitigation
2.1	Provides services to clients largely based outside the United Kingdom?	Choose an item.	Choose an item.	
2.2	Provide services to clients based in countries which (identified by credible sources) have significant levels of corruption or other criminal activity?	Choose an item.	Choose an item.	
2.3	Provide services to clients based in the Crown Dependencies (Isle of Man, Channel Islands, Guernsey) or other offshore tax jurisdictions and covered by local jurisdiction legislation?	Choose an item.	Choose an item.	
2.4	Provides services to clients based in countries on <a href="#">FATF</a> list of countries not having effective ML regimes? <i>List set out in section 14.5.8 of GPPM</i>	Choose an item.	Choose an item.	
2.5	Refers clients to other accountancy/taxation/insolvency practitioners elsewhere in the United Kingdom for specialist advice?	Choose an item.	Choose an item.	
2.6	Refers clients to other accountancy/taxation/ insolvency practitioners outside the United Kingdom?	Choose an item.	Choose an item.	
2.7	Provides services to clients or countries identified on the <a href="#">financial sanctions list</a> , or subject to embargo or similar measures? <i>List set out in section 14.5.8 of GPPM</i>	Choose an item.	Choose an item.	
2.8	Provides services to countries providing funding or support to terrorism?	Choose an item.	Choose an item.	
2.9	Clients receiving funding from any countries of concern (as highlighted above)?	Choose an item.	Choose an item.	
2.10	Clients transacting with countries of concern (selling/purchasing/associations or connections with)?	Choose an item.	Choose an item.	

	Enter further firm-specific risks below:			
2.11		Choose an item.	Choose an item.	
2.12		Choose an item.	Choose an item.	

<b>3</b>	<b>Nature of products and services</b>	<b>Likelihood score</b>	<b>Impact score</b>	<b>Notes and/or applicable mitigation</b>
3.1	Payroll administration?	Choose an item.	Choose an item.	
3.2	Corporate finance:			
3.2.1	Acquisitions?	Choose an item.	Choose an item.	
3.2.2	Fundraising?	Choose an item.	Choose an item.	
3.2.3	Due Diligence?	Choose an item.	Choose an item.	
3.2.4	Business sales?	Choose an item.	Choose an item.	
3.3	Insolvency:			
3.3.1	Corporate insolvency?	Choose an item.	Choose an item.	
3.3.2	Personal insolvency?	Choose an item.	Choose an item.	
	Restructuring services/ Independent Business Reviews?	Choose an item.	Choose an item.	
3.4	Regulated investment business?	Choose an item.	Choose an item.	
3.5	Trust and company service provision for clients incidentally to other work performed for clients?	Choose an item.	Choose an item.	
3.6	Trust and company service provision for clients with no other connection with the firm?	Choose an item.	Choose an item.	
3.7	Trust and company service provision for clients includes the provision of nominee directors, nominee shareholders or shadow directors, or the formation of companies outside the UK?	Choose an item.	Choose an item.	

<b>3</b>	<b>Nature of products and services</b>	<b>Likelihood score</b>	<b>Impact score</b>	<b>Notes and/or applicable mitigation</b>
3.8	Provision of advice or referrals for advice in the areas of tax avoidance schemes?	Choose an item.	Choose an item.	
3.9	Acting in capacity of executor, estate manager or provision of probate services?	Choose an item.	Choose an item.	
3.11	Has power of control over client's own bank accounts?	Choose an item.	Choose an item.	
3.12	Provides accounting or taxation services where there are concerns about the underlying books and records (falsification or substandard bookkeeping)?	Choose an item.	Choose an item.	
	Enter further firm-specific risks below:			
3.13		Choose an item.	Choose an item.	
3.14		Choose an item.	Choose an item.	
3.15		Choose an item.	Choose an item.	
3.16		Choose an item.	Choose an item.	
3.17		Choose an item.	Choose an item.	

4	Nature of transactions	Likelihood score	Impact score	Notes and/or applicable mitigation
4.1	Active use of the firm's client money account by clients?	Choose an item.	Choose an item.	
4.2	Fees are routinely remitted in cash?	Choose an item.	Choose an item.	
4.3	Firm engaged actively in establishing regulated investment business products on behalf of clients?	Choose an item.	Choose an item.	
4.4	Active management of payroll on behalf of clients (especially making payments on client behalf)?	Choose an item.	Choose an item.	
4.5	Active management/ control over any client's own account?	Choose an item.	Choose an item.	
4.6	Payments received from third parties/associates of clients?	Choose an item.	Choose an item.	
4.7	Firm providing a one-off transaction or service?	Choose an item.	Choose an item.	
4.8	Transaction or services which don't make commercial sense?	Choose an item.	Choose an item.	
4.9	Transactions where you can't easily check where the funds have come from?	Choose an item.	Choose an item.	
	Enter further firm-specific risks below:			
4.10		Choose an item.	Choose an item.	
4.11		Choose an item.	Choose an item.	
4.12		Choose an item.	Choose an item.	
4.13		Choose an item.	Choose an item.	
4.14		Choose an item.	Choose an item.	

<b>5</b>	<b>Firm's delivery channels</b>	<b>Likelihood score</b>	<b>Impact score</b>	<b>Notes and/or applicable mitigation</b>
5.1	The firm operates largely based on the internet, clients met face to face infrequently?	Choose an item.	Choose an item.	
5.2	Any clients where service is not face-to-face/online only?	Choose an item.	Choose an item.	
5.3	The firm trades from premises outside the UK, or outsources services to service providers outside the UK?	Choose an item.	Choose an item.	
5.4	Any services/transactions favouring anonymity of client/beneficial owners?	Choose an item.	Choose an item.	
5.5	Any services/transactions being transacted through intermediaries rather than clients directly?	Choose an item.	Choose an item.	
	Enter further firm-specific risks below:			
5.6		Choose an item.	Choose an item.	
5.7		Choose an item.	Choose an item.	
5.8		Choose an item.	Choose an item.	

6	Regulatory compliance and mitigation of risks	Yes	No	N/A	Notes
6.1	<p>The firm has documented AML policies and procedures, which are regularly updated and communicated to all personnel?</p> <p><i>Templates available of procedures and to assist with customer due diligence and compliance review etc in GPPM Chapter 14 and Specimen Documentation.</i></p>				
6.2	<p>The firm has robust client acceptance procedures (accelerated to MLRO/MLCP where appropriate for high risk clients)?</p>				
6.3	<p>Robust client re-acceptance procedures (or ongoing checks on higher risk clients), involving MLRO and MLCP?</p>				
6.4	<p>Procedures and policies are applied equally by all aspects of the firm (including insolvency and other specialist areas)?</p>				
6.5	<p>The firm has implemented an appropriate approach to Customer Due Diligence records that is evident on all client files?</p>				
6.6	<p>Enhanced due diligence procedures are applied where appropriate?</p>				
6.7	<p>The firm has an appropriate SARs reporting procedure?</p>				
6.8	<p>The firm has a robust firm-wide risk assessment, with key risks communicated to staff and mitigations in place?</p>				
6.9	<p>The firm carries out an effective annual compliance review, which covers the full business, and also higher risk areas. This includes an action plan and follow up of remedial action, where appropriate?</p>				

6	Regulatory compliance and mitigation of risks	Yes	No	N/A	Notes
6.10	Staff and principals have undertaken appropriate up to date training in AML, including key requirements and how to identify money laundering. Records maintained of training and staff declarations signed?				
6.11	More frequent training for staff in higher risk areas?				
6.13	Robust Clients Money procedures, in compliance with the Clients Money Regulations. <i>See chapter 17 of GPPM.</i>				
6.14	MLRO/MLCP keeping up to date on key requirements and emerging risks.				
6.15	Where reports are made to the National Crime Agency these are made in a complete & timely manner.				
6.16	There are no inordinate delays in reporting to the NCA following initial report from staff members.				
6.17	Additional safeguards, including additional engagement review procedures (eg second partner review/external review), for higher risk clients.				
	Additional safeguards:				
6.18					
6.19					
6.20					
6.21					
6.22					



<b>7</b>	<b>Conclusion</b>
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**Summary profile of firm**

{include background such as structure of firm, services offered, summary of types of clients acted for, geography of clients acted for, details of any special work undertaken, trust and company services provided and use of client money accounts etc.}

Risk area	Summary of firm	Overall assessment of risk	Mitigating actions
1 Clients			
2 Geographic			
3 Nature of products and services			
4 Nature of transactions			
5 Delivery channels			
6 Others			

Based on the various considerations above which are intended to prompt considerations of areas that may be considered to be of a higher risk from a money laundering perspective, each firm is required to conclude on an overall money laundering risk assessment for the firm. The conclusion should include a short narrative in support of the conclusion. There are three possible risk assessments – high, medium or low.

<b>Risk</b>	Circle as appropriate	High	Med	Low	
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**Justification of risk assessment and summary of any actions to be taken.**

**Risk assessment prepared by:**

**Date risk assessment prepared:**

**Subsequent Reviews**

**Scoring Reminders**

- See associated guidance regarding the approach to completing this template.
- Likelihood scores
    - Initially the firm should assess the likelihood of the risk factor impacting the firm.
      - This is scored from 0 – 5
      - 0 - no likelihood of the risk factor impacting the business
      - 1 – rare, may occur at some time but this would be by exception
      - 2 – unlikely, may occur at some point
      - 3 – possible, likely that the event will occur at some point
      - 4 – probable, the event is likely to occur in most cases
      - 5 – Virtually certain, the event will occur in all but exceptional cases
    - Where a likelihood score exceeds zero, the firm will then need to address the impact assessment
  - Impact scores
    - The impact assessment has been graded in a similar manner
      - Again, this is scored from 0 – 5
      - 0 – No sums of money could be laundered in the circumstances
      - 1 – Very limited sums of money could be laundered and the reputational damage to the firm would be low
      - 2 – Moderate sums of money could be laundered with some reputation damage to the firm
      - 3 – Large sums of money could be laundered with significant reputation damage to the firm
      - 4 – Significant sums of money could be laundered and the principals of the firm risk criminal prosecution
      - 5 – The firm is routinely assisting in facilitating money laundering and the principals of the firm will face criminal proceedings

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