

8 November, 2016

Dear MLRO of Regulated Professional Firm,

Re: Notice to produce Risk Assessment pursuant to section 6 of POCA (AML/ATF) Regulations 2008 and section 30D of Proceeds of Crime (AML/ATF Supervision and Enforcement) Act 2008

Pursuant to both the Proceeds of Crime (AML/ATF) Regulations 2008, section 6 (3), and the Guidance Notes issued by the Board, all Regulated Professional Firms are required to assess their respective risks to develop policies and procedures designed to mitigate such risks.

The RPF's are required to identify, assess and mitigate the risks in the same way as for all business risks faced by the firm. Firms should develop a risk profile for their businesses which:

- Recognizes that the money laundering and terrorist financing threats to a firm vary across clients, jurisdictions, services and delivery channels;
- Allows a firm to differentiate between clients in a way that matches risk in a particular business;
- While establishing minimum standards, allows a firm to apply its own approach to systems and controls, and other arrangements in particular circumstances; and
- Helps to produce a more cost effective system.

It is accepted that applying a risk based approach will vary between firms and that the Regulations provide that a relevant person must:

- determine the extent of customer due diligence measures on a risk sensitive basis depending on the type of client, business relationship, or transaction; and
- be able to demonstrate to the Board that the extent of customer due diligence measures is appropriate in view of the risk of money laundering and terrorist financing.

Any risk assessment *must be set out in writing* and must have regard to the following:

- i) The nature, size and complexity of your business

(for example, because a large business is less likely to know its customers personally it could offer a greater degree of anonymity than a small business. Likewise, a business that conducts complex transactions across international jurisdictions could offer greater opportunities to money launderers than a purely domestic business)

- ii) The products and services your business offers

(for example, some products and services are attractive for ML/TF. When considering whether the products and services your business offers consider such issues as: does the product allow for payments to third parties? Does the product involve receipt or payment in cash?)

- iii) The way your business delivers products and services

(for example, does your business allow for non-face to face customers?)

- iv) The types of customers your business deals with

(for example, customers involved in one off transactions above a certain threshold)

- v) The countries your business deals with

(for example UN sanctioned or embargo countries)

- vi) The institutions your business deals with

(for example, does your business deal with other financial institutions which are either unregulated, shell companies or shell banks?).

Your risk assessment must also include provisions describing how you will keep it up to date and how it will be audited.

Completing a risk assessment is a legal obligation under the Regulations and therefore must be completed thoroughly and accurately. It must also be **documented**, hence this Notice from the Board requiring the completion of a Risk Assessment. All Regulated firms must complete and supply a copy of their documented risk assessment to the Board on or before 31 December, 2016.

This **NOTICE** is given pursuant to section 30 D of Proceeds of Crime (AML/ATF Supervision and Enforcement) Act 2008.

Due to the nature and importance of this such Notice, your urgent attention is appreciated.

Please feel free to contact the writer, if you have any questions concerning the contents of this correspondence.



Regards,

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