

# Understanding your risk exposure & creating a fit-for-purpose risk assessment process

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# Risk Assessment



## Legal Requirement:

- Undertake assessment:



Identifies and assesses the risks you may reasonably face that your provision of designated services might involve or facilitate ML / TF / PF



What you will do (or continue to do) to identify, mitigate and manage the risks



Appropriate to the nature, size and complexity of your business



Approved by your senior manager



Notified in writing to your governing body









Up-to-date risk assessment before providing designated services

- Civil penalty: each designated service, each day

# How to work out your risk exposure?



## Structured Risk Assessment:

- Risk based approach
  - Tailored
  - Foundation of your AML/CTF Program
  - Not a tick box
- Have regard to:
  -  Designated services (incl. new or emerging technologies)
  -  Customers
  -  Delivery channels (incl. new or emerging technologies)
  -  Countries
  -  AUSTRAC information
  -  Rules

# How to create and tailor your risk assessment?



## Identify

- Written document
- Executive / management 1<sup>st</sup> draft
- Staff input
  - Map your business operations
  - Profile your customer types and behaviours
  - Consider industry-specific risks / transactions
  - Identify high risk transactions, customers



## Evaluate / Assess

- Services, customers, transactions
- Risk matrix
  - “Likelihood” and “impact”
- Scoring system
  - “Low / Medium / High”
  - “10 / 50 / 100”
- Rationale for risk ratings



## Mitigate / Manage

- Policies, procedures
- Software / tools
- Automation vs human decisions
- Staff training
- “Hard stops”?

		Impact				
		Negligible	Minor	Moderate	Severe	Catastrophic
		1	2	3	4	5
Likelihood	Rare 1	1	2	3	4	5
	Unlikely 2	2	4	6	8	10
	Possible 3	3	6	9	12	15
	Likely 4	4	8	12	16	20
	Very likely 5	5	10	15	20	25

# How to prove your processes?



## Legal Requirement:

- Review risk assessment to identify and assess new or changed risks
  - Significant change (before, or as soon as practicable)
  - AUSTRAC information (as soon as practicable)
  - Rules (time period specified)
- At least once every 3 years



## Documentation

- Templates? = Tailored
- Version tracking
- “Living documents”
- Think broadly – Board agendas, position descriptions, etc
- Incidents and mistakes



## Resources

- AUSTRAC guidance / newsletters
- CPD

# Questions?



# Contacts



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