

Don't take risks

The anti-money laundering and counter terrorism financing rules impose strict obligations on accountancy practices. *Richard Simms* explains the benefits of the free resources that are available to IFA members.



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TEN SECOND SUMMARY

- 1 **Free online package of anti-money laundering risk management and compliance tools.**
- 2 **A risk-based approach allows firms to allocate resources to high-risk areas.**
- 3 **Regulated firms are legally obliged to make a suspicious activity reports.**

If an IFA member holds a practicing certificate, and is supervised for compliance with the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations SI 2017/692 (MLR 2017) by the Institute, they have free access to the Anti-Money Laundering Compliance Company (AMLCC) software. This package usually costs £197 plus VAT a year, so this is a significant saving and includes free access by the money laundering reporting officer (MLRO) and three staff.

The regulations setting out the anti-money laundering (AML) compliance requirements for accountants and bookkeepers were updated last summer. We are encouraging firms to look beyond pure compliance to the actual risks that exist for them and their clients.

There's no room here to cover all the changes brought in by the MLR 2017 so those who have not already done so should read "Keeping watch" by Anne Davis, IFA Head of Regulation and Policy in the March/April edition of *Financial Accountant*.

AMLCC is an online package of tools that work in unison to deliver AML risk management and compliance. The package brings order and logic to the process of guiding advisers through the recording of the compulsory steps.

Tailoring the AMLCC package to how a firm operates is important because each practice works in its own way. Adding comments to the answers to questions and personalising the AML policy for the firm's approach are examples of customising AMLCC. All compliance aspects can be easily updated as part of a practice's ongoing commitment to keeping its AML measures up to date.

The secret of a successful risk-based approach is to allocate resources where they are needed most. The flexibility of AMLCC facilitates the implementation of a risk-based approach to AML and countering the financing of terrorism (CFT) allowing firms to allocate their resources to the higher risk areas. The implementation by a firm of a risk-based approach to AML/CFT is a mandatory requirement of MLR 2017.

The AML policy and services

The policy is drafted to be purposely wide in its scope and to contain an educational content. If team working is involved, staff members must read and acknowledge their understanding of the policy within AMLCC. The draft policy is available in a text editable format through the online AMLCC system. Any changes a firm makes to bring the policy into line with its approach and operating structure will be saved with a date and time and can be edited at any time in the future.

The firm services list is another important part of tailoring the AMLCC system to a specific practice. The MLRO can update the list at any time and a revised report of the services is saved and stored.

If appropriate, guidance and links have been included for individual firm services. These are cross-referenced to those the firm lists as being provided to any particular client.



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Risk assessments

The AML regulations require every practice to perform a firm risk assessment alongside the client risk assessment that it is already undertaking. The AMLCC online firm risk assessment will take the business through a series of questions that will document the risks it may be subject to. Guidance and mitigation steps are an additional benefit.

The new risk mitigation function in AMLCC discussed below will provide a simple way for each firm to show that it has understood and mitigated against its money laundering and terrorist risks by assessing customers, countries of operation, products and services and delivery channels for those products and services.

The new function of creating and saving risk assessments for similar clients, which can then be amended, allows for a quicker method of completing and reviewing client risk assessments.

A risk assessment is required for every client and a series of questions for different client types will guide the user through the key risk areas. There is also the facility to add comments, read guidance and mitigation and follow links to useful documents and sources.

The scope of the MLR 2017 is more detailed and more areas are covered in greater detail within the client risk assessment.

We have worked to simplify the client risk-assessment process by introducing some "dependent" questions that will be either pre-populated or marked as "not applicable" depending on the answer to an earlier question.

Risk mitigation function

This facility provides firms with control over client risk profiles and enables them to demonstrate that they have taken positive steps to understand and mitigate the risks identified for a client.

When a user is completing a client risk-assessment process they can flag a high-risk answer to a question as one for which they believe the risk has been mitigated. The MLRO for the firm (or addressed directly if the risk assessment is being performed by the MLRO) can then accept or reject that the risk has been mitigated.

If all the high-risk answers to a client risk assessment have been successfully mitigated, the client will move out of the high-risk category and into the risk mitigated category.

Saved template answers function

If a firm has clients with similar profiles it can save a set of template answers for a client risk assessment. Each saved template can be assigned to a particular client type, for example a personal or corporate client. A user can then select a set of saved template answers when creating a new client or updating an existing client risk assessment.

The selection of a set of template answers will pre-populate the answers to the client risk assessment. A template will include any comments on answers as well. The template answers can then be edited to match the precise risk profile of that particular client.

Using this function will incur a charge based on the number of slots available to save templates. Template slots can be bought individually or in batches, £45 for one, £90 for three and £170 for eight. Charges are annual and will be incurred when first choosing this feature, then at the next renewal date and yearly thereafter.

Use of this feature is optional.

AML records, manual and reports

If it's not written down it didn't happen, and AML records are a firm's defence to criticism.

- Retain a record of key documents on AMLCC.
- Keep a history of updates and amendments along with an audit trail of key changes.
- Upload important documents including copy ID documents.

The AMLCC professionals' guide is available online through the AMLCC platform.

Regulated firms are legally obliged to make a suspicious activity report (SAR) to the National Crime Agency (NCA). Failure to do so could have legal, regulatory and disciplinary consequences.

Reports can be made between staff and the firm's MLRO within the system. Reports to the NCA must be reported directly to them.

Continuing professional development

The training of staff and senior management is a responsibility of the firm. Any lack of training could leave the firm exposed to legal, regulatory and disciplinary action if the regulations and sector guidance is not followed.

Two levels of online training videos are each accompanied with a deck of slides. The online tests allow users to demonstrate an understanding of AML. A log is kept within AMLCC of the videos being watched by users and a certification confirming successful completion of the test of also produced.

The detailed policy template provides additional educational content as do the guidance, links and mitigation steps available across the risk assessments and firm services tools.

Due diligence and monitoring

It is crucial to identify and verify all the firm's clients and their beneficial owners by obtaining copies of ID, conducting online identity verification checks and, ideally, meeting the client face to face. Access to Equifax online verification checks is available through the AMLCC.

The regulations explain that there are circumstances for which enhanced due diligence (EDD) is required. AMLCC guides users through the circumstances for which this higher level of due diligence is required and the measures to apply.

Finally, the AMLCC package enables monitoring visits to be made a little less painful. With the firm's authority, the IFA will be able to review its AML compliance with a read-only supervisor's access code. This will help to facilitate the IFA's AML supervisory role and make life a little easier, something that finds favour with almost everyone.

➤ FURTHER INFORMATION

MLR 2017 by the IFA:
[tinyurl.com/ybk2n344](https://www.ifa.org.uk/tytinyurl.com/ybk2n344)
 AMLCC:
[tinyurl.com/y8vg2bla](https://www.ifa.org.uk/tytinyurl.com/y8vg2bla)
 "Keeping watch" article by
 Anne Davis:
[tinyurl.com/y957x2eu](https://www.ifa.org.uk/tytinyurl.com/y957x2eu)