



DX Compliance
Innovation, Security, Integrity

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AML COMPLIANCE

Information provided by DX Compliance Solutions Ltd



AML Compliance:

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and Risk

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What is AML

AML or Anti-Money Laundering, has received a significant increase in attention from regulators, companies and the media in recent years.

At its core, the aim of AML compliance is to prevent financial institutions and other obliged entities from being used to launder the profits of criminal activity. This is based on the following hypothesis: The harder it is for criminals to launder the profits of their crimes, thereby introducing those funds back into the legitimate financial system, the less attractive it becomes to earn money through crime.

Expectations & Accountability

What do regulators expect? Whom do they expect it from?

For anyone working in an area of compliance, whether AML or otherwise, the expectations and requirements of the regulators are a daily worry.

At least the following should be in place:

- Clear policies detailing the rules & requirements for a minimum of the following areas:
 - Staff (on-boarding rules, training, requirements for conduct);
 - The board (roles and responsibilities, sign-off procedures);
 - Customers, (which customers are acceptable, which are not, how are they to be identified, analysed, categorised);
 - Products & Processes (how are they to be approved, monitored and controlled)
 - Reporting (who, how, what, when and where)
- A company-wide or group-wide risk assessment, analysing the ways in which the company is at risk of being misused for laundering money. This should assess inherent risk and residual risk following any mitigation.
- **A control/mitigation plan, this should lay out the plans for changes as well as the monitoring initiatives and activities that will be conducted to mitigate the risks noted within the analysis, each activity should be clearly linked to an identified risk.**

The other, very common misconception is that the accountability lies solely with the compliance team or the Head of that business function (be it a CCO, Head of Compliance, MLRO or another position).

At a high level, regulators expect that companies are organisationally sound, meaning that they are set up, structured and have processes in place, in way which allows them to mitigate risk and operate in a legitimate way which poses the least threat to the public, financial & economic stability and their shareholders.

Responsibility and accountability are often confused:

Responsibility: refers to the person whose duty it is to perform a tasks or see that it has been performed

Accountability: refers to the person who will be blamed, held to account, fined or sent to prison when something goes wrong.

To learn more about one of these topics, or for resources and guidelines, sign-up to our insights or contact us via email.



Understanding Risk

ANALYSE, MONITOR, EVALUATE.

A Risk analysis or assessment is a regulatory requirement in many jurisdictions. Usually companies are required to perform this on a regular basis with most doing so annually. In some institutions this is written alongside the Counter-Terrorist Financing risk analysis, or as a combined document.

The risk of being misused for the purposes of laundering money should be analysed as the inherent level of risk and the residual level of risk following any mitigation measures.

Potential Risk should be analysed under the following 'lenses' or 'spotlights'. Each person, product, process and area of the business can be evaluated under each of these categories:

- Customer
- Geographical
- Product
- Transaction
- Miscellaneous (other)

It's essential to evaluate the effectiveness of any monitoring or control measures in place and to ensure they can be improved upon.

The main aim of the analysis is to provide the Board with a full overview of where the risk within the business is located, the measures introduced to mitigate this risk and any changes (including the relevant priorities) necessary to ensure continued mitigation.

Risk Management

- Identify
- Analyze
- Action
- Monitor
- Control

"Effective compliance and risk management is a continuous cycle of analysis, monitoring and evaluation"

