

## AML Supervision Themes and Findings 2019

As the AML Supervisory Authority for accounting firms, CIIPA undertook its first round of monitoring in 2019. This included on-site inspections and off-site monitoring. This document outlines key themes and findings during that process.

- CIIPA Guidance: Many firms had not properly read CIIPA Guidance or its Sector Risk Assessment. The Guidance was designed to be relevant to accounting firms, and deficiencies noted below may have been avoided if the Guidance had been followed. It is important to read CIIPA's Guidance and Sector Risk Assessment in order to inform the firm's AML CFT controls and procedures.
- Risk-Based Approach: Risk and conducting risk assessments is not necessarily intuitive for all firms and time must be invested in this process to ensure that the correct approach is taken. For example, some firms did not recognize the risks arising from the services provided, while others documented all risks but did not apply that to its controls such as applying standard controls to all clients regardless of risk. Fundamentally, firms are required to take a risk-based approach to managing its ML/TF/PF/TFS contravention. Firms should invest more time in conducting client risk assessments to analyze their own risk and enable them to apply resources effectively.
- Facilitation of Payments: Alongside treasury or bookkeeping services, many firms offer the service of initiating or approving banking transactions for clients' accounts. This amounts to relevant financial business and must be subject to the 'AML' controls of the firm. Whilst accounting services carry a relatively low risk there is a risk nonetheless even if firms are only a small part of a larger scheme and where additional services such as handling transactions are added, the risk is significant (see Sector Risk Assessment).
- Financial Sanctions Screening: Many firms were screening their clients, using commercial databased or directly against the UK's OFSI Consolidated list of sanctioned persons and entities, but a number had not considered screening transactions (payors and payees). This has been required since the amendment to the AML Regulations 2019.
- Outsourcing: In one firm, sanctions screening was conducted by an affiliate, but the arrangement was informal and therefore not clear on responsibilities nor in accordance with CIIPA's Guidance.
- Written Controls: All firms had written controls in the form of policies and procedures manuals, but many were not tailored to the firm, updated, nor procedural in nature and therefore unlikely to be effective.
- CDD: Deficiencies found were either due to failure to drill back to natural beneficial owner, or not acquiring the documentation to verify ownership. Obtaining verification documentation from existing clients requires some lead time. Firms should prepare for this by reviewing and remediating files and ensuring systematic follow up and that a date is set when it will resign client if no response, in addition to filing a SAR if the lack of response is suspicious.
- Training: Most firms had undertaken this but for some, not since major changes to the legislation. For most, firms' training was not specific to the firm's own risks and controls. It is important that staff are trained not only on the regulatory framework, but also on the firm's procedures and controls.

CIIPA has developed the following documents to assist firms in planning, developing and implementing their AML CFT systems as well as for preparing for inspections: [Sector Risk Assessment](#), Firm Wide Risk Assessment Template, [Guidance](#), [Enforcement Helpsheet](#), [Country Risk Assessment Helpsheet](#), [Guide to AML Inspections](#), [FAQs](#).

## Key Factors for Risk Assessment Consideration

It is important for Firms to understand their ML, TF, PF and TFS risks, and that they can demonstrate that knowledge through risk assessments, policies and procedures. Below are key points to keep in mind:

- Firms must consider all relevant risk factors (client, country, delivery, service)
- Risk assessments must be kept current
- Firms must implement controls to manage and mitigate the risks that have been identified by the country and those identified by the Firm
- Firm risk assessments should be consistent with the national-level risk assessment and include factors from national-level risk assessment. This does not mean it needs to be identical; however, differences should be explained.
- Firms should consider whether they are exposed to any of the higher risk products, services, jurisdictions, or scenarios identified in the national-level risk assessment. When a firm identifies these risks, it must implement procedures to manage the risk.

