Guide regarding the Enterprise-Wide ML/TF Risk Assessment

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# Contents

[Terms and Conditions of Use of the Template 1](#_Toc425093401)

[Conditions of Use 1](#_Toc425093402)

[Disclaimer 1](#_Toc425093403)

[Contents 2](#_Toc425093404)

[Introduction and Objective 2](#_Toc425093405)

[Objective and Regulatory Requirements 2](#_Toc425093406)

[Implementation in the Enterprise-Wide Risk Assessment Framework 2](#_Toc425093407)

[Enterprise-Wide AML/CFT Risk Assessment 2](#_Toc425093408)

[Overview of the Enterprise-Wide AML/CFT Risk Assessment 2](#_Toc425093409)

[Risk Overview Module 2](#_Toc425093410)

[Required Information 2](#_Toc425093411)

[Understanding the Risk Concentrations 2](#_Toc425093412)

[Company Risk Analysis Module 2](#_Toc425093413)

[Required Information 2](#_Toc425093414)

[Understanding the Company Risk Analysis Module 2](#_Toc425093415)

[Customer Risk Analysis Module 2](#_Toc425093416)

[Required Information 2](#_Toc425093417)

[Understanding the Customer Risk Analysis Module 2](#_Toc425093418)

[Jurisdictional (Country) Risk Analysis Module 2](#_Toc425093419)

[Money Laundering and Terrorism Financing Risk 2](#_Toc425093420)

[Tax Risk 2](#_Toc425093421)

[Transactional Risk Assessment Module 2](#_Toc425093422)

[Required Information 2](#_Toc425093423)

[Understanding Transactional Risk Assessment Module 2](#_Toc425093424)

[Support Annex 2](#_Toc425093425)

[Sensitive Industries List 2](#_Toc425093426)

[Legal Identity List 2](#_Toc425093427)

[Yes/No Response 2](#_Toc425093428)

[Risk Rating 2](#_Toc425093429)

[Legal Structure 2](#_Toc425093430)

[Management Types 2](#_Toc425093431)

[Customer Risk 2](#_Toc425093432)

[Annex 1 – Risks Assessment and Mitigation 2](#_Toc425093433)

# Introduction and Objective

## Objective and Regulatory Requirements

Under para. 4.1 of the MAS Notice SFA04-N02 “Prevention of Money Laundering and Countering the Financing of Terrorism – Capital Markets Intermediaries”[[1]](#footnote-1) (“SFA04-N02”) a capital markets intermediary (“CMI”) such as fund management company should “take appropriate steps to identify, assess and understand, its money laundering and terrorism financing risks in relation to

1. its customers;
2. the countries or jurisdictions its customers are from or in;
3. the countries or jurisdictions the CMI has operations in; and
4. the products, services, transactions and delivery channels of the CMI.”

“In addition to assessing the [money laundering (“ML”) and terrorism financing (“TF”)] risks presented by an individual customer, a CMI shall identify and assess ML/TF risks on an enterprise-wide level. This shall include a consolidated assessment of the CMI’s ML/TF risks that exist across all its business units, product lines and delivery channels.” (para. 4-3 of the Guidelines to MAS Notice SFA04-N02 on Prevention of Money Laundering and Countering the Financing of Terrorism (“AML/CFT Guidelines”)) “The enterprise-wide ML/TF risk assessment is intended to enable the CMI to better understand its overall vulnerability to ML/TF risks and forms the basis for the CMI’s overall risk-based approach.” (para. 4-4 AML/CFT Guidelines)

According to para. 4.2 SFA04-N02 the appropriate steps for the CMI’s assessment “shall include

1. documenting the CMI’s risk assessments;
2. considering all the relevant risk factors before determining the level of overall risk and the appropriate type and extent of mitigation to be applied;
3. keeping the CMI’s risk assessments up-to-date; and
4. having appropriate mechanisms to provide its risk assessment information to the [MAS].”

“As far as possible, a CMI’s enterprise-wide ML/TF risk assessment should entail both qualitative and quantitative analyses to ensure that the CMI accurately understands its exposure to ML/TF risks.” (para. 4-8 AML/CFT Guidelines) The AML/CFT Guidelines provide additional guidance what factors the CMI should consider in its risk assessment in relation to the general factors indicated in SFA04-N02. (See para. 4-3 et seqq. AML/CFT Guidelines.) Specifically, the CMI should consider Singapore’s National ML/TF Risk Assessment (“NRA”) Report in its risk assessment, in particular with regards to sectors and prevailing crime types that have been identified as presenting higher ML/TF risks (para. 4-11 et seq. AML/CFT Guidelines). “In assessing its overall ML/TF risks, a CMI should make its own determination as to the risk weights to be given to the individual factor or combination of factors.” (para. 4-10 AML/CFT Guidelines) “The scale and scope of the enterprise-wide ML/TF risk assessment should be commensurate with the nature and complexity of the CMI’s business.” (para. 4-7 AML/CFT Guidelines)

## Implementation in the Enterprise-Wide Risk Assessment Framework

The Company’s Enterprise-Wide Risk Assessment (“EWRA”) framework assesses the ML/TF risk that the Company is overall exposed to and how they are mitigated, thus giving effect to SFA04-N02.

* EWRA: The EWRA Excel file identifies where the Company is most exposed to ML/TF risks, most of all quantitatively.

Notice: Red does not necessarily denotes an adverse nature. Red merely expresses risker levels than green. Green does not denote safe/risk free levels. Green merely expresses safer fields than those denoted in red.

* Guide regarding the Enterprise-Wide ML/TF Risk Assessment: The guide provides information on the EWRA framework and, specifically, the considerations in the EWRA.
* Mitigation Summary: The Mitigation Summary provides a summary of the Company’s main ML/TF and considerations on their mitigation.

|  |  |
| --- | --- |
| Regulatory Requirements and Guidance | Implementation in EWRA |
| Customers (para. 4.1(a) of SFA04-N02 | Customers |
| Target customer markets (para. 4-6(a)(i) AML/CFT Guidelines). | 1. The nationality and domicile of the customer (at section 16 CRAM) 2. The nationality and domicile of the beneficial owner (at section 16 CRAM) 3. The domicile of operations of introducers (at section 14 CoRAM) |
| Target customer segments (as indicated in para. 4-6(a)(i) AML/CFT Guidelines) | The target customer segments are not taken into consideration because the Company is only licensed to service qualified investors, in particular accredited and institutional investors. The ERWA however takes the different structure of the customers into consideration (at section 3. CRAM).   1. Net wealth and assets under management of customer (at section 1f, 1g, 2e CRAM) 2. Net wealth and assets under management of beneficial owner (at section 11 CRAM) |
| Profile and number of customers identified as higher risk (para. 4-6(a)(ii) AML/CFT Guidelines) | 1. The PEP status of the customer as required under 8.1 SFA04-N02 (at section 7 CRAM); 2. The nationality and domicile of the customer (at section 1 CRAM) 3. The nationality and domicile of the beneficial owner (at section 9 CRAM) 4. The sensitive industries beneficial owners are involved in (at section 13 CRAM) whereas financial industry involvement of the customer itself is not analysed because the customer is in the overwhelming number of cases a wealth management structure where it is not the beneficial owner itself 5. Any adverse news or documentation irregularities with respect to the customer and entities involved in the structure (at section 6 & 8 CRAM) 6. Any adverse news or documentation deficiencies with respect to the beneficial owner (at sections 9 and 10b CRAM) |
| Volumes and sizes of its customers’ transactions and funds transfers, considering the usual activities and the risk profiles (para. 4-6(a)(iii) AML/CFT Guidelines) | 1. The amount of incoming and outgoing transactions, i.e. where funds come under the management or cease to be under management by the Company (at section 1 TRA) 2. The standard deviation of the incoming and outgoing transactions (at section 2 TRA) 3. The deviation of the transaction from the standard deviation of all transactions and from the thresholds specified by the Company (at section 2 TRA) |
|  | 1. The distance of the relationship between the customer and the beneficial owner by assessing the intermediary structure between them (at section 3 & 4 CRAM) |
|  | 1. The type and frequency of management of services engaged by the customer (at section 1c. & 2. CRAM) |
| Countries or jurisdictions its customers are from or in (4.1(b) SFA04-N02) | Customers, Jurisdictions |
| Countries or jurisdictions its customers are from (4.1(b) SFA04-N02) | 1. The nationality of the customer (recorded at section 1a and analysed at section 16 CRAM) 2. The nationality of the beneficial owner (recorded at section 9 and analysed at section 16 CRAM) 3. The frequency how often a jurisdiction is involved in the customer structure (at section 14 CRAM) |
| Countries or jurisdictions its customers are in (4.1(b) SFA04-N02) | 1. The residence or domicile of the customer (recorded at section 1b and analysed at section 16 CRAM) 2. The residence of the beneficial owner (at section 9 and analysed at section 16 CRAM CRAM) 3. The tax residency the beneficial owner (at section 9 CRAM and at section 11-14 JRA) |
| Countries or jurisdictions the CMI is exposed to through the activities of its customers (including the CMI’s network of correspondent account relationships) (para. 4-6(b)(i) AML/CFT Guidelines) | 1. Domicile of operations of customer (see section 1b CRAM) 2. Domicile of primary and secondary operations of the beneficial owner (see section 16 CRAM) 3. The tax residency of the beneficial owner (at section 9 CRAM and at section of JRA) |
| Evidence of adverse news or relevant public criticism of a country or jurisdiction, including FATF public documents on High Risk and Noncooperative jurisdictions (para. 4-6(b)(ii) AML/CFT Guidelines) | 1. Country ML/TF risk score and rating (at sections 4-7 JRAM) 2. Countries with FATF call for countermeasures (at section 2 JRAM) and strategic AML/CFT deficiencies (at section 3 JRAM) |
| Independent and public assessment of the country’s or jurisdiction’s overall AML/CFT regime such as FATF or FATF-Styled Regional Bodies’ (“FSRBs”) Mutual Evaluation reports and the IMF / World Bank Financial Sector Assessment Programme Reports or Reports on the Observance of Standards and Codes for guidance on the country’s or jurisdiction’s AML/CFT measures (para. 4-6(b)(ii) AML/CFT Guidelines) | 1. Country ML/TF risk score and rating (at sections 4-7 JRAM) 2. Countries with FATF call for countermeasures (at section 2 JRAM) and strategic AML/CFT deficiencies (at section 3 JRAM) |
| The AML/CFT laws, regulations and standards of the country or jurisdiction (para. 4-6(b)(ii) AML/CFT Guidelines) | 1. Country risk score and rating (at section 3-6 JRAM) |
| Implementation standards (including quality and effectiveness of supervision) of the AML/CFT regime (para. 4-6(b)(ii) AML/CFT Guidelines) | 1. Country risk score and rating (at section 3-6 JRAM) |
| Whether the country or jurisdiction is a member of international groups that only admit countries or jurisdictions which meet certain AML/CFT benchmarks (para. 4-6(b)(ii) AML/CFT Guidelines) | 1. Country risk score and rating (at section 3-6 JRAM) |
| Contextual factors, such as political stability, maturity and sophistication of the regulatory and supervisory regime, level of corruption, financial inclusion etc. (para. 4-6(b)(ii) AML/CFT Guidelines) | 1. Country risk score and rating (at section 3-6 JRAM) |
| Countries or jurisdictions the CMI has operations in (4.1(c) SFA04-N02) | Company, incl. Services, Jurisdictions |
| Countries or jurisdictions the CMI is exposed to through its own activities (including where its branches and subsidiaries operate in) (para. 4-6(b)(i) AML/CFT Guidelines) | 1. The nationality of each entity under the CMI (at section 1b. CoRAM) 2. The domicile of each entity under the CMI (at section 1c. CoRAM) 3. The jurisdiction of each booking centre for AUM (at section of 3b. CoRAM) |
| Evidence of adverse news or relevant public criticism of a country or jurisdiction, including FATF public documents on High Risk and Noncooperative jurisdictions (para. 4-6(b)(ii) AML/CFT Guidelines) | 1. Country ML/TF risk score and rating (at sections 4-7 JRAM) 2. Countries with FATF call for countermeasures (at section 2 JRAM) and strategic AML/CFT deficiencies (at section 3 JRAM) |
| Independent and public assessment of the country’s or jurisdiction’s overall AML/CFT regime such as FATF or FATF-Styled Regional Bodies’ (“FSRBs”) Mutual Evaluation reports and the IMF / World Bank Financial Sector Assessment Programme Reports or Reports on the Observance of Standards and Codes for guidance on the country’s or jurisdiction’s AML/CFT measures (para. 4-6(b)(ii) AML/CFT Guidelines) | 1. Country ML/TF risk score and rating (at sections 4-7 JRAM) 2. Countries with FATF call for countermeasures (at section 2 JRAM) and strategic AML/CFT deficiencies (at section 3 JRAM) |
| The AML/CFT laws, regulations and standards of the country or jurisdiction (para. 4-6(b)(ii) AML/CFT Guidelines) | 1. Country risk score and rating (at section 4-7 JRAM) |
| Implementation standards (including quality and effectiveness of supervision) of the AML/CFT regime (para. 4-6(b)(ii) AML/CFT Guidelines) | 1. Country risk score and rating (at section 4-7 JRAM) |
| Whether the country or jurisdiction is a member of international groups that only admit countries or jurisdictions which meet certain AML/CFT benchmarks (para. 4-6(b)(ii) AML/CFT Guidelines) | 1. Country risk score and rating (at section 4-7 JRAM) |
| Contextual factors, such as political stability, maturity and sophistication of the regulatory and supervisory regime, level of corruption, financial inclusion etc. (para. 4-6(b)(ii) AML/CFT Guidelines) | 1. Country risk score and rating (at section 4-7 JRAM) |
| Products, services, transactions and delivery channels of the CMI (4.1(d) SFA04-N02) | Company, incl. Services |
| The nature, scale, diversity and complexity of the CMI’s business activities (para. 4-6(c)(i) AML/CFT Guidelines) | 1. The types of asset management or advisory services provided by the CMI to its customers (at section 4 of CoRAM) 2. The number of non-transparent products engaged by customers (at section 1e of CRAM) |
| The nature of products and services offered by the CMI (para. 4-6(c)(i) AML/CFT Guidelines) | 1. The type and frequency of asset management or advisory services engaged by the customer (at section 1c & 17 CRAM) |
| The delivery channels, including the extent to which the CMI deals directly with the customer, relies on third parties to perform CDD measures or uses technology (para. 4-6(c)(i) AML/CFT Guidelines) | 1. The domicile of operations of introducers (at section 7a CoRAM) 2. The relationships of introducers (at section 9a of CoRAM) 3. The booking centres of the AUM of the clients which is also where the Company’s asset management activities take immediate effect (at section 3 CoRAM |
|  | 1. The amount of incoming and outgoing transactions, i.e. where funds come under the management or cease to be under management by the Company (at section 1 TRA) 2. The standard deviation of the incoming and outgoing transactions (at section 2 TRA) 3. The deviation of the transaction from the standard deviation of all transactions and from the thresholds specified by the Company (at section 2 TRA) |

# Enterprise-Wide AML/CFT Risk Assessment

## Overview of the Enterprise-Wide AML/CFT Risk Assessment

The EWRA is structured into several tables all of which cover specific aspects of the ML/TF risk that the Company as an independent asset manager (“IAM”) encounters and an overview of the Company’s AML/CFT risk overall.

1. Risk Overview: The Risk Overview Module (“ROM”) presents an overview of the most important ML/TF risk aspects the Company is exposed to.
2. Company, incl. Services: The Company Risk Analysis Module (“CoRAM”) provides an assessment of the ML/TF risk that the Company is exposed to because of its structure and business in general.
3. Customer: The Customer Risk Analysis Module (“CRAM”) is aiming at giving an overview of where the customer risk is concentrated. It is not a customer due diligence tool and would not suffice for such purposes. For example, it analyses data on a more general level like, the nationality and domicile of clients and beneficial owners to determine jurisdictional risks. It seeks to determine in a variety of circumstances where risk is concentrated.
4. Jurisdictions: The Jurisdictional Risk Assessment Module (“JRAM”) analyses the risk of specified countries and jurisdictions based on data on the country/jurisdiction and with a view to the connections of the Company to these countries/jurisdictions.
5. Transactions: The Transaction Risk Assessment Module (“TRAM”) provides an assessment of the ML/TF risks the Company is exposed through incoming and outgoing transactions of its customers, i.e. funds that flow into or out of the managed portfolio, i.e. become funds managed by the Company or cease to be funds managed by the Company.
6. Support Annex: The support annex contains the lists used in the other modules.

## Risk Overview Module

The Risk Overview Module (“ROM”) presents an overview of the most important ML/TF risk aspects the Company is exposed to.

### Required Information

All information in the ROM is automatically inserted from other risk modules.

### Understanding the Risk Concentrations

The ROM provides an overview of the ML/TF risk concentrations the Company faces in significant aspects. The risks of these different categories cannot be directly compared to each other. Their weight must be analysed and mitigating measures provided for based on the Company’s current overall situation.

Risk has been divided into three general categories.

* Primary Risk Indicators, in particular the Company’s customers, transactions and AML/CFT staff at the Company;
* Jurisdictional Risk Concentrations with regards to the customers and the Company; and
* Sensitives Industries Attention.

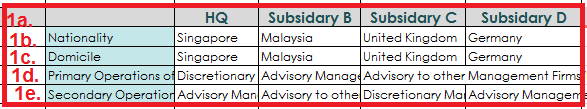
In order to obtain further details on the specific risks, hyperlinks directly link to the source of the information in the ROM. The risk assessment of the individual aspects is further elaborated on below in the respective source sections.

## Company Risk Analysis Module

The Company Risk Analysis Module (“CoRAM”) provides an assessment of the ML/TF risk that the Company is exposed to because of its structure and business in general, including branches, subsidiaries and introducers, as well as its services and products.

### Required Information

The user must introduce data into the tables as indicated below. The following section 1 provides an example.

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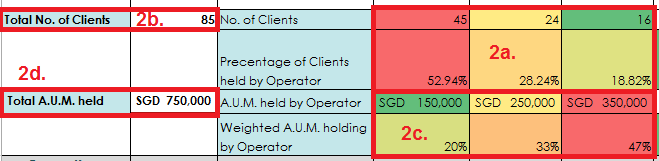
The Company must insert the following information in the CoRAM for the analysis of its ML/TF risk:

* Row 3 (column D et seqq.): The name of the Company (“HQ”) and its branches and subsidiaries;   
  The number of subsidiaries, branches, joint ventures, agencies and similar (collectively referred to as controlled entities) is restricted to four because IAMs hardly ever have four or more controlled entities.   
  *Example Section 1a.:* HQ stands for the name of the Company. Subsidiary B must be replaced by the name of the first branch, subsidiary, joint venture or similar. Subsidiary B must be replaced by the name of the second branch, subsidiary, joint venture or similar. Please delete all information, if the Company does not have any branches, subsidiaries or similar.
* Row 4 (column D et seqq.): The jurisdiction where the entity (the Company, its branch or subsidiary) is incorporated or registered, as applicable;   
  *Example Section 1b.:* The Company (“HQ”) is incorporated in Singapore. Subsidiary B is incorporated in the United Kingdom. Subsidiary C is incorporated in the United Kingdom.
* Row 5 (column D et seqq.): The jurisdiction where the entity is domiciled, i.e. has its place of business;   
  The domicile is in most cases the jurisdiction where the entity is incorporated or registered.  
  *Example Section 1c.:* The Company (“HQ”) has its place of business in Singapore. Subsidiary B its place of business in Malaysia. Subsidiary C has its place of business in the United Kingdom.
* Row 6 (column D et seqq.): The entity’s primary type of operations/business;   
  *Example Section 1d.:* The Company (“HQ”) manages the assets of most of its clients under a discretionary asset management mandate. Subsidiary A is providing financial advisory services to all of its clients. Subsidiary C is most of all providing advice to other fund management companies.
* Row 7 (column D et seqq.): The entity’s secondary type of operations/business, if any;   
  In most circumstances, the IAMs do not have more than two material types of operations;  
  *Example Section 1e.:* In addition to its discretionary asset management services, the Company (“HQ”)also provides financial advice to some clients. Subsidiary B is only providing financial advice. It does not have a secondary type of operations. Subsidiary C also manages some client accounts under discretionary asset management mandates, in addition to its advisory services to other asset managers.
* Row 9 (column D et seqq.): The number of clients with the entity, i.e. the number of asset management agreements (discretionary and advisory) that the Company has;
* Row 11 (column D et seqq.): The assets under management (“AUM”) of that entity;
* Row 14 (column D et seqq.): The primary booking centre used by the clients of the entity, i.e. where the assets managed by the entity are located; To determine the primary booking centre, most weight should be given to the number of clients for which the assets are booked in this booking centre because AML/CFT regulations in general, and thus also in the booking centre where the custodian provides an additional layer of AML/CFT controls, focus more on the client than on the amount of assets, at least within one client segment.
* Row 15-17 (column D et seqq.): Additional booking centres of AUM (up to 3);
* Row 19 (column D et seqq.): The number employees of the entity, indicated in full-time equivalent (“FTE”);
* Row 20 (column D et seqq.): The number of AML trained staff of the entity, indicated in FTE;
* Row 22 (column D et seqq.): The number of compliance staff of the entity, indicated in FTE;
* Row 23 (column D et seqq.): Whether the auditor has raised any (negative) points regarding AML/CFT in its report;
* Row 26 (column D et seqq.): Whether the entity has any documentation deficiencies in its administration (e.g. corporate secretarial documents, tax fillings and engagement agreements);
* Row 28 (column D et seqq.): The name of the introducer;
* Row 29 (column D et seqq.): The (main) residency of the introducer;
* Row 30 (column D et seqq.): The sensitive industries that the introducer is engaged in, if any;
* Row 31 (column D et seqq.): Any additional sensitive industries that the introducer is engaged in, if any;
* Row 33 (column D et seqq.): The amount of AUM of clients that have been introduced by the introducer;
* Row 35 (column D et seqq.): The most frequently engaged entity among the Company and its controlled entities (entities indicated in row 3) by the introducer.

Note that “operator” in this section refers to the entity providing/managing/operating/servicing clients.

### Understanding the Company Risk Analysis Module

The CoRAM is aimed at giving an overview where ML/TF risks are concentrated by determining which portions of the Company are more exposed. The CoRAM seeks to emphasise where resources should be allocated. It is however not a tool to indicate whether sufficient resources have been allocated. Such a decision is ultimately a business decision.

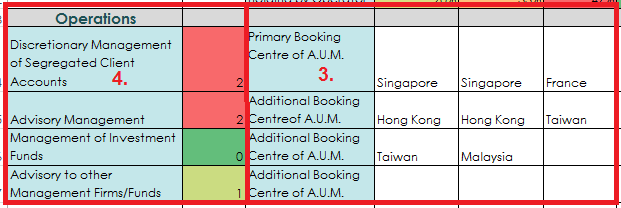


**Section 2a.** The colour coding in this section shows which entity services the greatest number of clients and the percentage Red highlights which entity of the Company has most clients whilst green indicates which entity has fewest clients. The information in this section indicates the entities where the most important client relationship activities of the Company. In order to mitigate its ML/TF risk, the Company may wish to focus its AML/CFT resources on the entities with most clients.

**Section 2b.** The summary on the left provides general information on the total number of clients across the Company and its controlled entities. A large client pool is not a ML/TF risk itself, but the Company should allocate sufficient resources to mitigate its ML/TF risk.

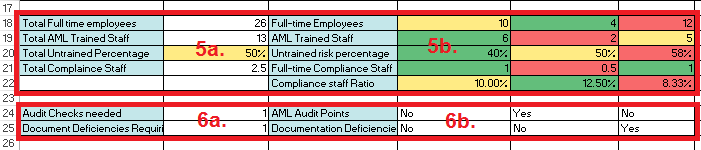
**Section 2a.** The colour coding in this section shows which entity is holding the greatest amount of AUM and its percentage. Red highlights which entity of the Company manages most AUM whilst green indicates which entity manages least AUM. The information in this section indicates the entities where the most important asset management activities of the Company and its controlled entities take effect. In order to mitigate its ML/TF risk, the Company may wish to focus its AML/CFT resources on the entities managing most AUM because most AML/CFT work is to be expected at this entity.

**Section 2b.** The summary on the left provides general information on the total number of clients and total AUM held across the Company and its controlled entities. A large AUM amount or client pool is not a ML/TF risk itself, but the Company should allocate sufficient resources to mitigate its ML/TF risk.



**Section 3.** The information in this section is populated by the user. The country/jurisdiction of the booking centres, i.e. where the assets of the clients are custodised, indicates to which AML/CFT regulations the custodians, who provide an additional layer of AML/CFT controls, are subject.

**Section 4.** This sectionindicates the number of each of the services provided over all of the platforms, highlighting the most frequent service in red and the least in green. The Company may wish to analyse its most frequent services most in depth with regards to ML/TF risk while putting less emphasis on little used services. Discretionary management of segregated accounts, management of investment funds and advice to other management firms/funds exposes the Company to little ML/TF risk because it controls all the investment transactions. In these services, the Company is primarily exposed to ML/TF risk when starting an engagement with a client, including the funding of the account(s) under management, and when funds are returned. In advisory management, the Company is furthermore exposed to ML/TF risk when a client makes any transactions that the Company has not proposed or is not fully familiar with, in particular when they involve little known companies.



**Section 5a.** This sectionprovides an overview of operational ML/TF risk in relation to employees over the entire group consisting of the Company and its controlled entities. It lists the total number of employees, AML trained staff and compliance officers. It also displays the percentage of staff that is not trained in AML/CFT. None of these indicators, including no fixed percentage of non-AML/CFT-trained staff and no number of compliance staff necessarily, necessarily indicates high risk. The Company may however wish to analyse, if it believes that AML/CFT training is sufficiently spread and the number of compliance staff overall matches the needs of the Company and its controlled entities.

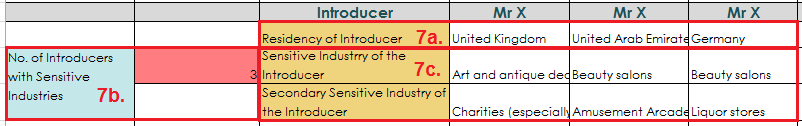
**Section 5b.** The colour coding indicates which entity has most employees and the percentage of staff involved in AML/CFT measures and controls.

1. Number of employees: Red for the highest number of employees within and entity to green the lowest number of employees across the Company and its controlled entities. Red does thus not indicate high risk. It purely indicates how many staff work in the entity. The Company may however wish to take this into consideration when allocating resources for controls.
2. AML Trained Staff: Green representing the entity with the most AML/CFT-trained staff to red with the least AML/CFT-trained staff. Red does not necessarily indicate higher risk because the tasks and positions of the employees vary. The Company may however wish to ensure that every entity has some AML/CFT trained staff.
3. AML untrained ratio/percentage: This field calculates the number of staff not trained in AML/CFT in relation to the total number of staff. Red represents the entity with the highest ratio of AML/CFT-untrained staff and green resenting the lowest. Red does thus not necessarily indicate high risk because the tasks and position of the staff vary and the focus of the different entities may be differ. The Company may wish to assure itself that the staff of every entity is trained well enough in AML/CFT.
4. Full time compliance staff: Green represents the highest number of compliance staff in an entity compared to all of the Company and its controlled entities whereas red represents the lowest. Red does not necessarily indicate high risk. Depending on the focus of the entity, entities may need different AML/CFT resources. Also an entity highlighted in red may have sufficient or even more than sufficient AML/CFT staff.
5. Compliance staff ratio: This refers to the ratio of compliance staff to the total number of staff. Green representing the highest ratio among the Company and its controlled entities and red representing the lowest. Red does not necessarily indicate high risk. Also an entity highlighted in red may have sufficient compliance staff. The ratio depends greatly on the focus and tasks of the specific entity.

**Section 6a.** The number of audit checks needed indicates, for how many entities among the Company and its controlled entities their auditors have raised audit points regarding AML/CFT. Although audit points do not at all instances indicate high risk, the Company should follow up to ensure that all audit points regarding AML/CFT are remediated. In some cases, audit points may require immediate attention and resolute action.

The number of document deficiencies requiring checks indicates how many entities among the Company and its controlled entities currently have deficiencies in their own documentation. Although such administrative lapses are not necessarily connected to ML/TF risk, it may be a general indicator to how well operations and controls in the entity, in particular on documentation issues are working.

**Section 6b.** The information in this section is populated by the user. Audit points regarding AML/CFT may indicate different levels of AML/CFT risk. Some of them may require immediate attention and resolute action.



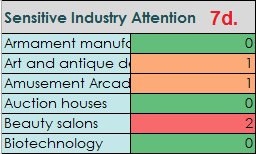
**Section 7a.** The information in this section is populated by the user. Introducers are a delivery channel of the Company. The Company receives new clients through introducers and may also be in contact with its clients through introducers.

An introducer is likely to introduce a customer from his network. Thus, the introducer is likely to introduce clients from the country where he is resident or from the same industry sector in which he is active. The Company may wish to monitor introducers resident in high risk countries/jurisdictions or in sensitive industries more closely.

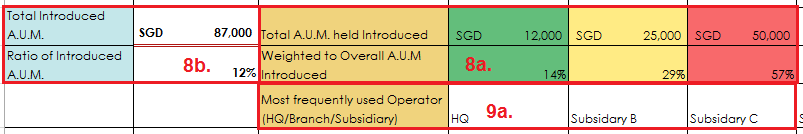
**Section 7b.** The counter represents the total number introducers that are active in at least one sensitive industry. A higher number may not necessarily indicate high risk, because the Company may be very familiar with the respective introducer(s) and their activities. The Company may however wish to assure itself that it has sufficient resources to adequately monitor the introducers active in sensitive industries.

**Section 7c.** The information in this section is populated by the user.

An introducer is likely to introduce a customer from his network. Thus, the introducer is likely to introduce clients from the same industry sector in which he is active. The Company may wish to monitor introducers that are active in sensitive industries more closely.

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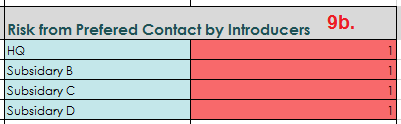
**Section 7d.** The colour coding shows the frequency of sensitive industries. Red represents the most common and green represents the least common sensitive industries among the introducers. Red does not necessarily indicate high risk. The Company may however wish to assure that it is sufficiently familiar with the sensitive industries highlighted.



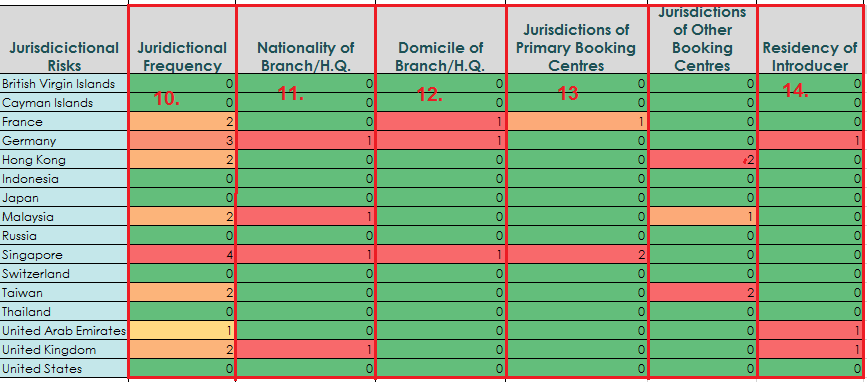
**Section 8a.** This section provides information on the introducers’ relationships to the Company and its controlled entities. In the colour coding regarding AUM, red indicates the introducer having introduced the highest amount of AUM whereas green indicates the introducer having introduced the least amount of AUM. Red does not necessarily indicate high risk. Although the Company may also wish to focus attention on the introducers introducing high amounts of AUM, the number of clients and, most of all, the ML/TF risk of the individual clients may be more important.

**Section 8b.** This section provides the total AUM introduced along with the ratio of total AUM introduced. A high amount of introduced AUM and/or a high ratio of introduced AUM does not necessarily indicate high risk. However, in this case, the Company may wish to allocate more resources to monitoring the introducers.

**Section 9a.** This section displays the introducer’s most favoured choice of entity.



**Section 9b.** This section shows the most popular entity within the CMI to introducers. Red may not necessarily indicate high risk. The AML/CFT risk may significantly depend on the specific introducers the entity works with. Nonetheless, the Company may wish to assure that each entity has sufficient resources to work with and monitor the introducers it works with.



**Section 10.** The concentration indicates the overall exposure of the Company and its controlled entities have to countries/jurisdictions: where the Company and its controlled entities are incorporated, where the Company and its controlled entities are operating, where the AUM that the Company and its controlled entities are managing is booked and the residency of the introducers. Red indicates the country/jurisdiction the Company and its entities are most connected to, whereas green indicates the jurisdictions they are least connected to. Red may not necessarily indicate high risk. The risk may greatly depend on the respective country/jurisdiction risk. (See JRAM.) The Company may however wish to assure that it is sufficiently familiar with the countries/jurisdictions, in particular the countries/jurisdictions the Company and its controlled entities are most connected to.

**Section 11.** The colour coding in this section shows in which jurisdiction most of entities of the Company and its controlled entities are incorporated. Red highlights the country/jurisdiction where the most entities are incorporated. In most cases, the AML/CFT regulations of that jurisdiction will apply to the entity. Red does thus not necessarily indicate a high ML/TF risk, but the Company may wish to put most emphasis on ensuring that the AML/CFT regulations of the countries/jurisdictions where most entities are incorporated are robust.

**Section 12.** The colour coding in this section shows the jurisdictions in which the Company and its controlled entities operate most of all. Red highlights the country/jurisdiction where they are most active. Considering the fact that the Company or entity active will most of all be subject to its home AML/CFT regulations, red does thus not necessarily indicate high ML/TF risk. The Company may however want to take the ML/TF risk exposure of those countries into consideration, in particular with regards to corruption and tax risk.

**Section 13.** The colour codingshows the most popular jurisdictions for booking centres, on the one hand, the most popular jurisdiction of the primary booking centres and, on the other hand, of all booking centres. Red indicates the most popular countries/jurisdictions of the booking centres. Red does thus not necessarily indicate high risk because the local AML/CFT regulations of the booking centre will apply to the respective custodians. The Company may however wish to assure itself of that the AML/CFT regulations of the most popular booking centres are robust; for example considering the AML/CFT risk in the JRAM.

**Section 14.** The colour coding highlights in what countries/jurisdictions most introducers are resident. Red indicates the country/jurisdiction in which the highest number of introducers are resident; green indicates the countries/jurisdictions in which the lowest number of introducers are resident. Red does not necessarily indicate high risk. The AML/CFT risk greatly depends on the specific country/jurisdiction. The Company may wish to assure itself that it is sufficiently familiar with the respective countries/jurisdictions, in particular countries/jurisdictions with many introducers, taking the ML/TF risk of the country/jurisdiction (see JRAM) into consideration.

## Customer Risk Analysis Module

The Risk Customer Risk Analysis Module (“CRAM”) presents an overview of the most important ML/TF risk aspects the Company is exposed to from its customers. The objective of the CRAM is to give an overview of where the customer risk is concentrated.

### Required Information

The CRAM provides for one customer and one beneficial owner (“B.O.”) for every customer relationship of the Company. Where more than one individual or entity qualifies as the customer, the details of the customer or B.O. considered to be the highest ML/TF risk should be introduced in order to highlight the risks.

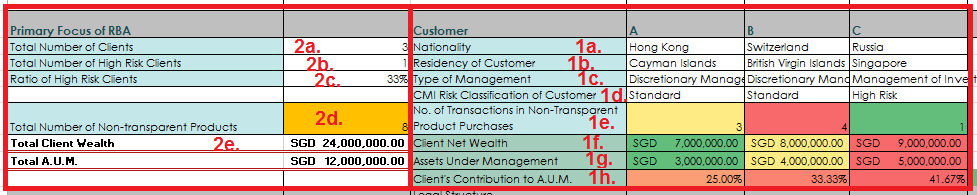
Where the customer is the B.O., the Company must fill in the data on the customer and on the B.O.

The following customer information must be inserted into CRAM for the analysis of its ML/TF risk:

* Row 3 (column D et seqq.): The name of the customer/client; All customers of the Company should be listed, each in a separate column;   
  The customer is the individual or entity for whom the Company is managing assets or to whom the Company provides financial advice.
* Row 4 (column D et seqq.): The nationality of the customer, in case of a company the country of incorporation;
* Row 5 (column D et seqq.): The residence of the customer, in case of a company the domicile;
* Row 6 (column D et seqq.): The type of services that the Company provides to the customer;
* Row 7 (column D et seqq.): The risk classification of the customer given by the Company;
* Row 8 (column DC et seqq.): The number of non-transparent products the customer has engaged in through the account managed or advised on by the Company;   
  A product is considered to be non-transparent, when it is not listed on a stock exchange or another regulated market and not based on securities listed on a stock exchange or another regulated market; for example: shares in a small company or a derivative with underlying shares of a small company, complex securitization structures, highly customizable OTC derivatives and complex depository receipts. These products may hold increased ML/TF risk because the underlying entity, e.g. the small company of which shares are purchased, is not transparent. Financial transactions with non-transparent entities may be abused for ML; for example a credit default swap on a company that is maliciously led into insolvency.
* Row 9 (column D et seqq.): The net wealth of the customer;
* Row 10 (column D et seqq.): The AUM of the customer, i.e. the amount of assets the Company manages for the customer;
* Row 13 (column D et seqq.): The legal identity of the customer;
* Row 14-15 (column D et seqq.) The legal identity of any additional intermediary/entities in between the customer and the B.O., up to the third layer;
* Row 17 (column D et seqq.): Indication where 4 or more layers segregate the customer from the B.O.;   
  A structure involving 4 or more layers between the customer and the B.O. may be considered a complex structure that carries increased ML/TF risk.
* Row 19-23 (column D et seqq.): Residence of the authorised signatories of the customer;
* Row 24 (column D et seqq.): Indication, if all authorised signatories are professional services providers for such positions, e.g. corporate service providers, employees of trustee companies;
* Row 27 (column D et seqq.): Any documentation deficiencies with the customer;
* Row 28 (column D et seqq.): Any documentation deficiencies with any intermediary/entity in the layers between the customer and the B.O.;
* Row 30 (column D et seqq.): Indicator, if any foreign politically exposed persons (“PEPs”) are involved in the customer or the structure;
* Row 31 (column D et seqq.): Indicator, if any domestic PEPs are involved in the customer or the structure;
* Row 32 (column D et seqq.): Indicator, if any international organisation PEPs are involved in the customer or the structure;
* Row 34 (column D et seqq.) Any adverse news on the customer or the entities or individuals involved in the structure;
* Row 36 (column D et seqq.): The name of the ultimate B.O.;
* Row 37 (column C et seqq.): The nationality of the B.O.;
* Row 38 (column D et seqq.): The country of residence of the B.O.;
* Row 39 (column D et seqq.): The tax residence of the B.O.;
* Row 40 (column D et seqq.): The domicile of the B.O.’s primary operations (such operations include income derived other sources apart from employment i.e. dividends from shares, investment schemes and the like);
* Row 41 (column D et seqq.): The domicile of the B.O’s secondary operations; income derived
* Row 42 (column D et seqq.): Indicator, if there are document deficiencies with regards to the B.O.;
* Row 44 (column D et seqq.): Indicator, if the B.O. is a foreign PEP;
* Row 45 (column D et seqq.): Indicator, if the B.O. is a domestic PEP;
* Row 46 (column D et seqq.): Indicator, if the B.O. is an international organisation PEP;
* Row 48 (column D et seqq.): Indicator, if there are any adverse news on the B.O.;
* Row 50 (column D et seqq.): The collective net wealth of the ultimate beneficial owner ;
* Row 52 (column D et seqq.): The primary sensitive industry of the B.O., if any;
* Row 53 (column D et seqq.): The secondary sensitive industry of the B.O., if any;
* Row 54 (column D et seqq.): The third sensitive industry of the B.O., if any;

### Understanding the Customer Risk Analysis Module

CRAM is not a customer due diligence tool. It is advised that the CRAM is not used for such purposes.



**Section 1.a-d.** The information in these rows is inserted by the user.   
Contrary to the B.O.’s tax residence, the tax residence of the customer requires is not taken into consideration for ML/TF risk. It is held that where the customer is not the B.O. (1) the “Rational Company” as a customer would always pick a tax efficient jurisdiction and (2) a “Rational Professional Services Provider” managing such entity would not attempt to breach any regulatory or legal requirements. Consequently more emphasis should be placed on the tax residency of the B.O.

**Section 1d.** This section relates to internal audits by compliance officers which finds customers as high risks. This section is for functionality purposes. Any high risk customer is an immediate cause for concern and resources must be spent to eliminate AML/TF risks these customers pose.

**Section 1.e.** The colour coding highlights the customers using non-transparent products. Red indicates the customer with the highest number of non-transparent product transactions and green the customer with the least.

**Section 1.f.** The colour coding indicates the customer’s net wealth. Red highlights the customer with the highest net wealth and green the customer with the least. It is generally considered that higher net wealth, provides for more opportunities for ML.

**Section 1.g.** The colour coding indicates the customer’s AUM with the Company. Red highlights the customer with the highest AUM and green the customer with the least. It is generally considered that higher wealth, provides for more opportunities for ML.

**Section 1.h.** The client’s contribution to the AUM highlights the ratio of the AUM of the individual to the total AUM of the Company. It thus highlights the importance of the customer to the Company.

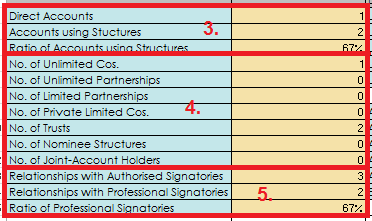
**Section 2.a.** This section indicates the total number of customers of the Company. A high number of customers does not necessarily indicate a high ML/TF risk. The Company should however ensure that is has sufficient AML/CFT resources to adequately control and mitigate the ML/TF risks of all its clients. A higher number of clients may require higher AML/CFT resources.

**Section 2.b.** This section indicates the total number of customer relationships that the Company has classified as high risk. A high number of high risk customers does not necessarily indicate an exceeding overall ML/TF risk. The Company must however ensure that is has sufficient AML/CFT resources to adequately control and mitigate the ML/TF risks of all its clients, in particular high risk clients. A higher number of high risk clients may require higher AML/CFT resources.

**Section 2.c.** The ratio of high risk clients indicates how many customer relationships the Company considers to be high risk. A high ratio of high risk clients requires special prudence and sufficient AML/CFT resources.

**Section 2.d.** The total number of non-transparent products indicates, how many non-transparent product transactions all customers of the Company are involved in. The Company should ensure that it has sufficient AML/CFT resources, including knowledge, to assess these transactions

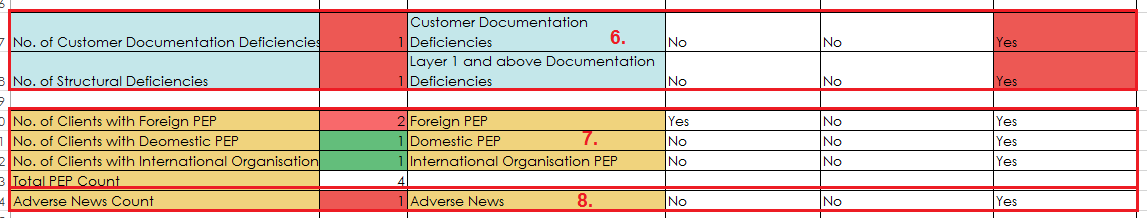
**Section 2.e.** The total client wealth and total AUM indicates what amounts the Company is exposed to. Very generally, higher amounts offer more opportunities for ML. However, the specific customers, beneficial owners, transactions etc. provide better indicators of ML/TF risk. Furthermore, it must be considered that the Company is only servicing qualified investors, in particular accredited and institutional investors.

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**Section 3.** The number of direct accounts indicates, the number of all client relationships of the Company where the B.O. is himself the customer. In this section, a private limited company refers to any unlisted company limited by shares. Similarly, the number of accounts using structures indicates the number of all client relationships of the Company, where the B.O. is not himself the customer, but the B.O. uses a structure. In general, structures are considered to carry higher ML/TF risk.

**Section 4.** This section shows which of the types of entity structures are most commonly used in the client relationships of the Company. Although no specific structure may be considered to carry particularly high ML/TF risk, the Company may wish to ensure that it understands all structures used in its client relationships and that it is familiar with the most commonly used structures.

**Section 5.** The number of relationships with authorised signatories indicates, in how many of the Company’s client relationships authorised signatories are involved. Furthermore it indicates in how many of these relationships exclusively professional service providers are appointed as authorised signatories. It may be presumed that professional service providers are aware of AML/CFT obligations and will not jeopardise their entire business to cover for a single client.



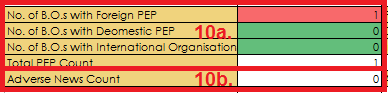
**Section 6.** This section indicates how many client relationships the Company has with documentation deficiencies regarding the customer or any of the structures involved in the client relationship. Documentation deficiencies are highlighted in red. Although such document deficiency may not be grave, the Company should remediate it as soon as possible.

**Section 7.** This section indicates the number of client relationships involving PEPs in the customer or in the structure overall and by type of PEP. While the type of PEP may indicate to the Company with what type it should be most familiar, the Company should overall ensure that it has sufficient AML/CFT resources to monitor all client relationships involving PEPs sufficiently.

**Section 8.** This section indicates the number of client relationships in which adverse news has been found on the customer or involving an entity or person in the structure. The Company may wish to ensure that it has sufficient AML/CFT resources to follow up and monitor adverse news commensurate with their gravity.

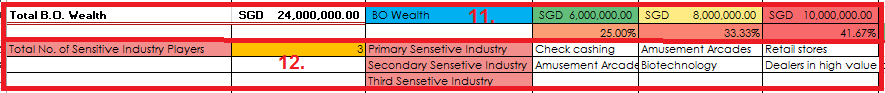
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**Section 9** This section indicates the number of client relationships the Company has with documentation deficiencies regarding the B.O. Even where such document deficiency may not be grave, the Company should remediate it as soon as possible. Documentation deficiencies denoted in “Yes” will be flagged in red.

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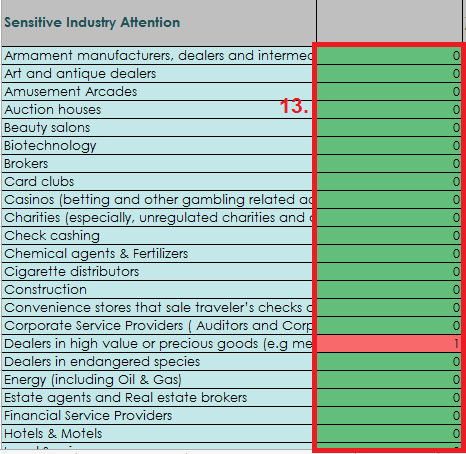
**Section 10a.** calculates the total number of politically exposed BOs to give the Company an assessment of how much resources it should allocate to investigating PEP customers in accordance to 8-4-2 of the AML/CFT Guidelines

**Section 10b.** This section indicates the number of client relationships in which adverse news has been found on the B.O. The Company may wish to ensure that it has sufficient AML/CFT resources to follow up and monitor adverse news commensurate with their gravity.

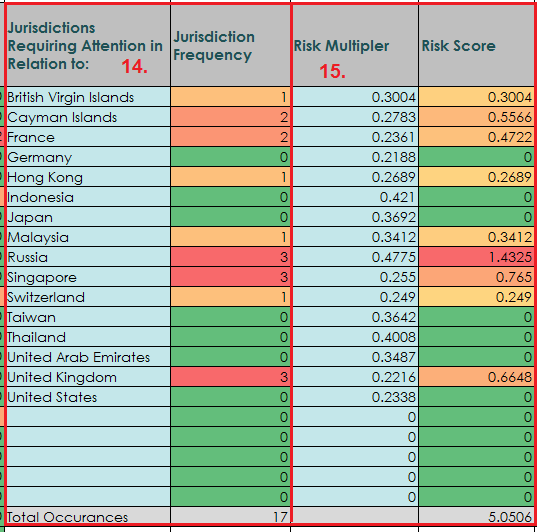


**Section 11.** The colour coding highlights the wealth of the different B.O.s.. Red indicates the largest sum of B.O. net wealth and green the smallest among all B.O.s and their part in the total wealth of all B.O.s. In very general, it is assumed that high wealth provides for more ML opportunities.

**Section 12.** The total number of sensitive industry players indicates in how many of the Company’s client relationships the B.O. is involved in sensitive industries. The Company should ensure that it has enough AML/CFT resources to adequately monitor all relationships involving B.O.s involved in high risk industries.



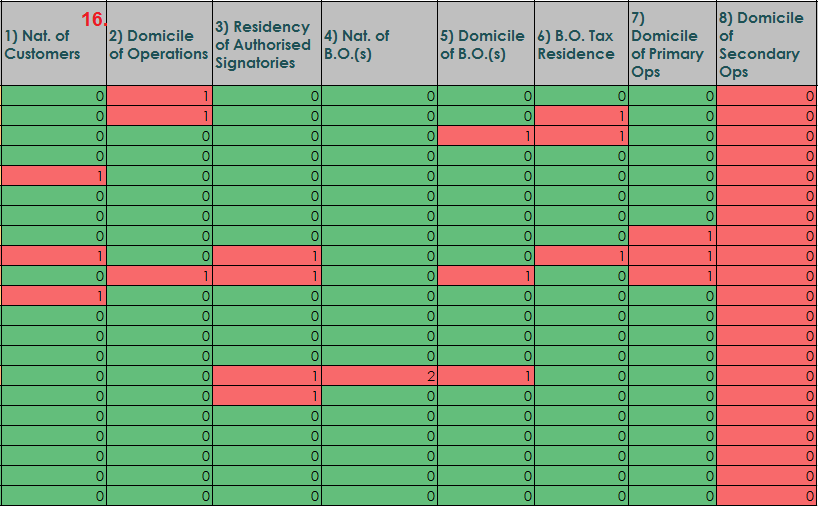
**Section 13.** The colour coding highlights the most common sensitive industry B.O.s are involved in. Red indicates the most commonly engaged sensitive industry whereas green indicates the least common. Red does not necessarily indicate that this is the sensitive industry with the highest ML/TF risk. The Company must analyse the ML/TF risk of every sensitive industry separately. The colour coding however indicates what sensitive industries the Company may wish to be particularly familiar with because many of its B.O.s are involved in it.



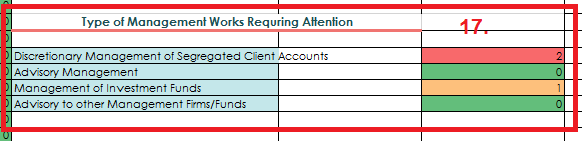
**Section 14.** The jurisdiction frequency displays how many times a particular country/jurisdiction has been named in the CRAM grid with respect to the customer and the B.O. The colour coding reflects the frequency of the country/jurisdiction. Red indicates the most frequent country/jurisdiction, green the least.

Overall, the jurisdiction frequency puts more weight on the B.O. than the customer by taking more criteria of the B.O. than of the customer into consideration and giving the same weight to every criterion. This stronger weight on the B.O. is due to the fact that the customers, if they are not the B.O., are wealth management structures that have been set up by the B.O. and have no operational activities.

**Section 15.** In order to analyse the ML/TF risk of the different jurisdictions, each count of jurisdiction frequency is multiplied with the jurisdictional risk factor as indicated in the JRAM to produce a risk score and a ratio. The colour coding displays to which jurisdictions the Company has the highest ML/TF risk exposure from its customers and B.O.s. Red indicates the highest risk, green the lowest. The Company may wish to be particularly familiar with the ML/TF risks in these countries/jurisdictions.



**Section 16.** This section shows in more detail, how many times a specific country/jurisdiction is involved in a particular aspect of the client relationship. The colour coding highlights the frequency. Red indicates the most frequent country/jurisdiction in respect of the specific aspect indicated, green the least frequent countries. Red does not necessarily indicate high risk. The ML/TF risk of the specific country/jurisdiction has not been taken into account.



**Section 17.** This section indicates the number of client relationships in which the Company provides a specific type of service. The colour coding indicates the frequency of the specific types of services. Red indicates the most frequent type of service, green the least frequent. The colour does not indicate the ML/TF risk of the type of service. However, the Company may wish to analyse the ML/TF risks of the most frequent type of service most thoroughly.

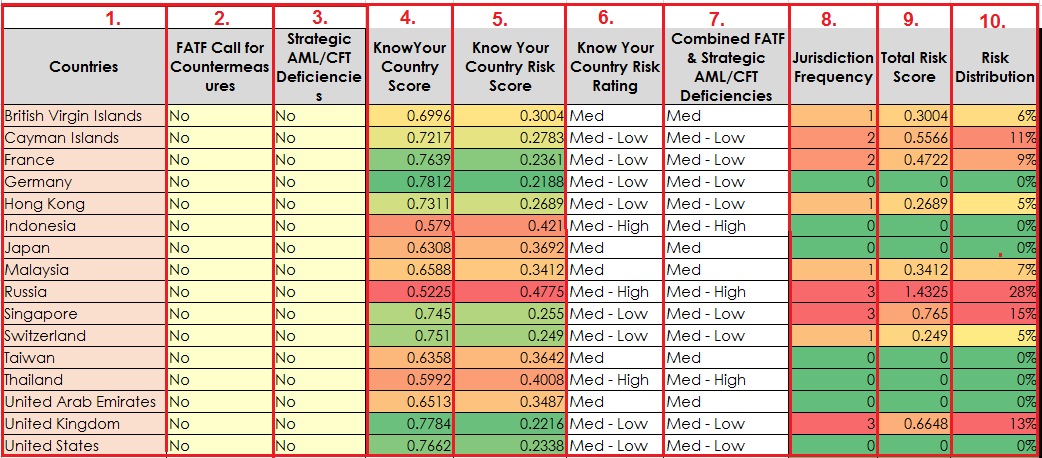
## Jurisdictional (Country) Risk Analysis Module

The Jurisdictional (Country) Risk Analysis Module (“JRAM”) presents an overview of the ML/TF risk, and separately the risk of tax related ML, of the countries/jurisdictions the Company and its customers are connected to. The JRAM provides an overview of the risk of the countries/jurisdiction and the Company’s most substantial exposures to these risks.

When taking into account jurisdictional risks, the SNRA takes into consideration:

* Legislation and Enforcement[[2]](#footnote-2);
* Prosecution and court system[[3]](#footnote-3);
* Co-ordination and international co-operation[[4]](#footnote-4);
* Domestic intelligence unit[[5]](#footnote-5);
* Education;
* Industry;
* Threats of domestic origin[[6]](#footnote-6);
* Fiscal policy.

### Money Laundering and Terrorism Financing Risk

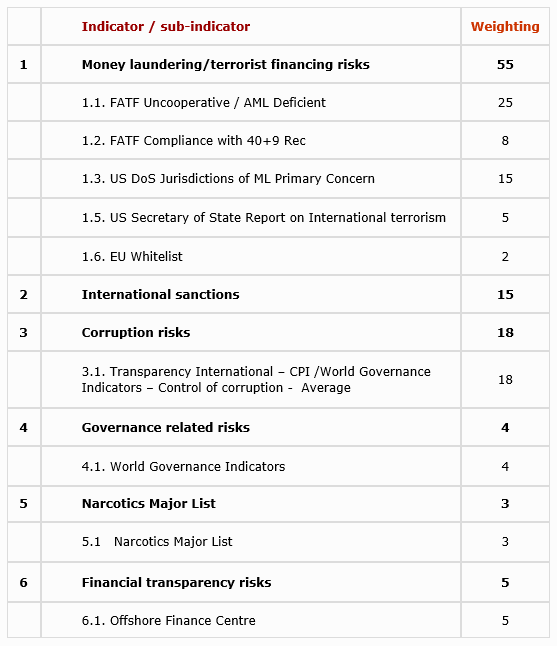
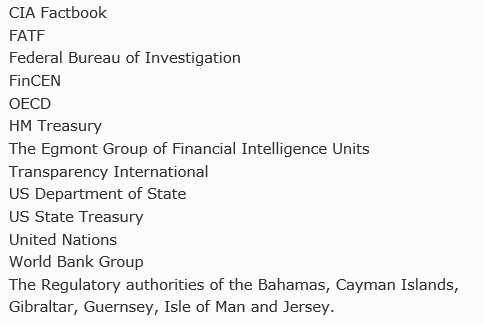


#### Required Information

Information on every country that is listed with regards to the Company and its controlled entities, its customers and their transactions should be listed in the JRAM. At the same time, the information on countries should be restricted to these countries in order to allow for an accurate evaluation.

Where the countries/jurisdictions provided in the template do not cover all the jurisdictions with which the Company and its controlled entities as well as the customers of the Company and their associated parties are connected, five free rows are provided to add additional jurisdictions. If more countries/jurisdictions are needed, information on countries/jurisdictions may be replaced that are provided in the template but not used by the Company. If countries/jurisdictions beyond these two options are added, the Company must ensure that the formulas in other connected tables are also updated.

The following information must be inserted into JRAM on every country:

* **Section 1:** The name of the jurisdiction; where too little information can be obtained on a specific jurisdiction in a country, the Company may opt to introduce the country and the information on the country in the respective cells.
* **Section 2:** This column indicates, if a jurisdiction is currently subject to a call by the Financial Action Task Force (“FATF”) on its members and other jurisdictions to apply counter-measures to protect the international financial system from the on-going and substantial money laundering and terrorist financing (ML/FT) risks emanating from the jurisdiction. These jurisdictions are generally considered to pose a high ML/TF risk.   
  The list of jurisdictions which are subject to such call can be obtained on FATF’s website [www.fatf-gafi.org](http://www.fatf-gafi.org).
* **Section 3:** This column indicates, if a jurisdiction is currently considered by FATF to have strategic AML/CFT deficiencies and not to have made sufficient progress in addressing the deficiencies or not to have committed to an action plan developed with the FATF to address the deficiencies. These jurisdictions are generally considered to pose a high ML/TF risk.   
  The list of jurisdictions which are subject to such call can be obtained on FATF’s website [www.fatf-gafi.org](http://www.fatf-gafi.org).
* **Section 4:** KnowYourCountry provides a publically available, free rating of the ML risk of countries (<http://www.knowyourcountry.com/1ratingtable.html>). Considering its sources and the basic information provided on its assessment, this rating has been evaluated to be commensurate with the Company’s needs, resources and capabilities for the assessment of the ML risk of countries/jurisdicitons.   
  According to its basic disclosure, KnowYourCountry is has assessed the countries on the following bases.   
    
  The following risk weighting given to the different factors in the assessment:   
    
  KnowYourCountry is gathering the information and data used in its reports from the following government and institutional agency websites:   
    
  More information on the ML country risk assessment and the methodologies used can be obtained on KnowYourCountry’s website (<http://www.knowyourcountry.com/index.html>), in particular its page on the Country Ratings Table (<http://www.knowyourcountry.com/1ratingtable.html>) and its page on Methodologies and Sources (<http://www.knowyourcountry.com/riskdefs1.html>).   
  The colour coding highlights the risk according to the score of the country/jurisdiction in comparison to all countries listed by the Company. Red indicates a low score, thus a higher risk, and green a higher score and thus a lower risk. Red does however not necessarily indicate a high ML/TF risk because only the countries listed are compared. It may be the case that all countries have a high AML/CFT standard and thus all pose little ML/TF risk.

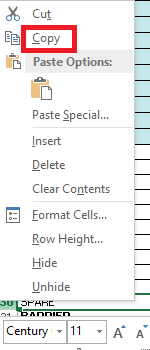
#### Understanding the Jurisdictional Risk Analysis Module with respect to Money Laundering and Terrorism Financing Risks

* **Section 5.** The KnowYourCountry risk value is an inverse of the KnowYourCountry score (1 minus the KnowYourCountry score) to facilitate further risk analysis.
* **Section 6.** The KnowYourCountry risk rating is the risk rating that KnowYourCountry assigns to the specific country/jurisdiction. (See http://www.knowyourcountry.com/1ratingtable.html.)
* **Section 7.** The combined risk rating combines the risk rating by KnowYourCountry and the FATF calls for action. The KnowYourCountry is overruled by classifying the country/jurisdiction as high risk where FATF is calling for countermeasures or is considered by FATF to have strategic AML/CFT deficiencies.
* **Section 8.** The jurisdiction frequency automatically copies the number of connections the Company has to this country/jurisdiction through its customers. (See section 14 CRAM.)   
  The colour coding indicates the frequency of connections. Red indicates more connections, green less.
* **Section 9.** The total risk value of the jurisdiction indicates the ML/TF risk exposure the Company has to the specific country/jurisdiction. It multiplies the KnowYourCountry risk value (see section 5 above) with the jurisdiction frequency (see section 8 above). It is held that more connections to a specific country/jurisdiction increase the risk that the ML/TF risk that the country/jurisdiction has, increases the risk that this ML/TF risk actually materialises.
* **Section 10.** The risk distribution is based on the total risk value of the jurisdictions. It provides the Company an easier picture to what extent it is exposed to ML/TF risk of a specific jurisdiction. The Company may wish to focus its understanding of ML/TF risks and countermeasures on the countries with the highest risk.

Adding a New Jurisdiction



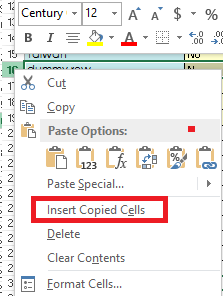
Firstly select the spare jurisdiction row above the barrier provided for you.



Right click & select copy to copy the spare row.

### 

Select the spare row which you want to insert your jurisdiction above



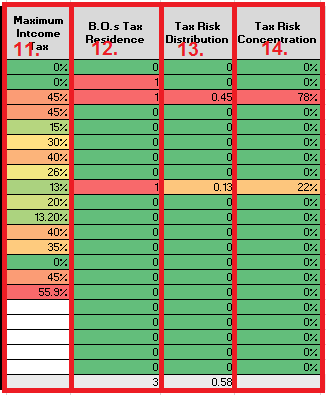
Right click on the selected row and select “Insert Copied Cells”.



Populate the new row with the information on the jurisdiction, its name, its call for FTAF countermeasures, its AML strategic deficiencies, its country rating and a risk score if one was given.

### Tax Risk

Tax offences are predicate offences of money laundering. Although many indicators for tax risk correspond with general ML/TF risk indicators, it is held based on Friedman’s rational man model, that a person is more likely to evade tax when he is subject to high tax. Because this does not affect other ML/TF risk, it is taken into consideration separately.



#### Required Information

* Section 11. The maximum income tax rate is the highest tax rate on income for individuals in the specific country.   
  As a IAM, the Company is most of all servicing high net worth individuals (“HNWI”) and ultra-high net worth individuals (“UHNWI”), either with them personally or with a wealth management structure of them as its clients. It is therefore considered that the customers of the Company, including their whole structure, are most concerned with the personal taxes of the HNWI or UHNWI. Because in most countries income tax significantly exceeds wealth tax, the focus has been laid exclusively on the income tax.   
  Income tax rates commonly increase with higher income. HNWI and UHNWI may be expected to have high income. They are thus likely to be subject to high tax rates. As a result, the highest income tax rate is introduced in the table.   
  To the extent provided, the tax rates are taken from OECD personal income tax statistics.[[7]](#footnote-7) Where this information was not available, other publically available sources[[8]](#footnote-8) are used.   
  The colour coding indicates the income tax rates. Red indicates a high tax rate, green a low.

#### Understanding the Jurisdictional Risk Analysis Module with respect to Tax Risks

* Section 12. The B.O.’s tax residence is automatically populated with the number of B.O.s that have their tax residency in a specific country/jurisdiction according to the information provided in the CRAM.   
  The colour coding indicates the number of B.O.s with their tax residence in a specific country/jurisdiction. Red indicates a high number, green a low number.
* Section 13. The tax risk distribution combines the income tax rate with the number of B.O.s that are tax resident in the specific country by multiplying the two figures. It is considered that B.O.s are more likely to evade taxes when they are subject to a high tax rate and the higher the number of B.O.s the more likely it is that one of the evades taxes.   
  The colour coding indicates the combined tax risk. Red indicates for which country/jurisdiction the risk is highest, green the country/jurisdiction for which the risk is lowest. The Company may wish to become particularly acquainted with the tax regulations of the countries/jurisdictions with the highest risk.
* Section 14. The tax risk concentration is based on the tax risk distribution of the jurisdictions. It provides the Company an easier picture to what extent it is exposed to tax risk from a specific jurisdiction. The Company may wish to focus its understanding of tax risks on the countries with the highest risk.

# Adding a Jurisdiction

## Transactional Risk Assessment Module

The transaction risk assessment module (“TRAM”) highlights the ML/TF risk of transactions based on their amount and the countries of origin and destination. The TRAM is not a tool for transactions monitoring. It aims at assisting the Company to determine what constitutes risky transactions.

The elements of transactional risk considered in the SNRA include[[9]](#footnote-9):

* Source of the jurisdiction’s transactions;
* The nature of those transactions.
* The frequency and total amount of the transaction. (i.e. multiple transactions of small denominations to avoid scrutiny thresholds.)

The TRAM focuses on the amount of the transactions to determine unusual transactions and the country of origin and destination to take the ML/TF risk of the involved counties/jurisdictions into consideration.

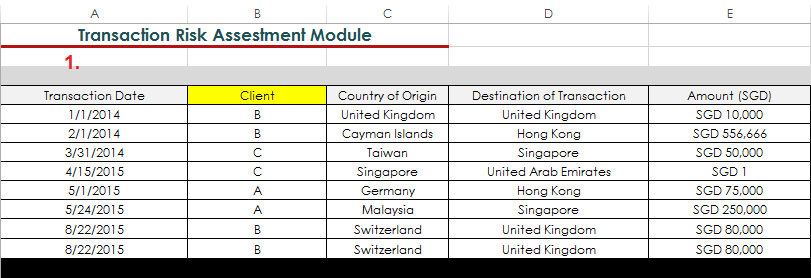
The TRAM focuses on incoming and outgoing transactions only. A transaction is considered an incoming transaction, when the account(s) under management receive new funding; e.g. the client transfers additional SGD 100,000 into the account under management by the Company. A transaction is considered an outgoing transaction, when funds are transferred out of the account(s) under management by the Company; e.g. the client uses SGD 1.2m from the account under management to buy an apartment.

Transactions in the course of the investment management are not considered incoming or outgoing transactions, e.g. debiting of the cash account to buy securities or crediting of the cash account due to reimbursement from an investment fund. Such investment transaction are not considered to be of particular ML/TF risk because they only turn around existing funds, but do not provide an opportunity to place illicit funds into the financial system make use of funds (integrate) after money laundering or for illicit purposes.

Transactions in non-transparent financial products that might be used for money laundering are assessed in the CRAM (see section 1.e. and 2.d. CRAM).

### Required Information

The transaction risk assessment uses a ledger of transactions to detect unusual transactions.

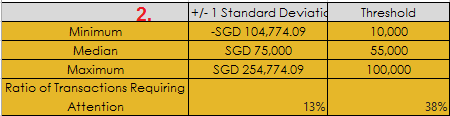


**Section 1.** This section is populated by the user. One line/row is filled in for every incoming or outgoing transaction (as explained above).

* Column A: The date of the transaction: The Company is free to use the date of the order or the execution, but use the same consistently. The transaction date is indicated for utility and record keeping purposes, in particular it will assist the Company in finding a specific transaction in case of a review;
* Column B: The name of the customer for whom the transaction is made;
* Column C: The country/jurisdiction from where the transaction originated, e.g. when a client puts additional funding into his account under management in Singapore from an account in London, United Kingdom of his personal investment company, the country of origin is the United Kingdom;
* Column D: The country/jurisdiction where the transaction ended, e.g. when a client makes a payment from his account under management with the Company in Singapore to his personal account in Hong Kong, the destination is Hong Kong;
* Column E: The amount of the transaction in SGD. Where a transaction is made in another currency, the amount must be converted into SGD before it is entered into the cell.

The Company can add additional transactions by inserting a new row above the black bar.

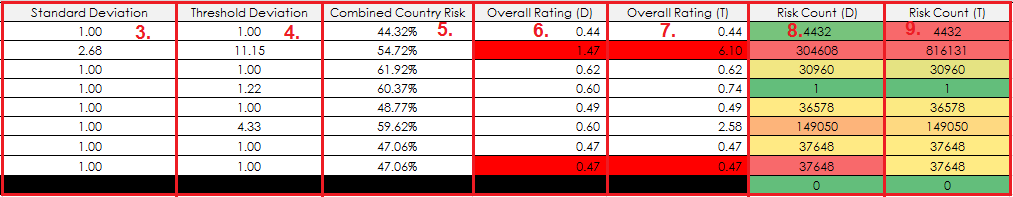
The Company may fill in all the incoming and outgoing transactions or only the incoming and outgoing transactions during a specific period. A large data set over a long period of time will make the analysis more accurate and contribute to a better identification of the Company’s clients’ standard of transactions.



**Section 2.** This section is the starting point in determining risk concentration.

* Column B: These cells automatically calculate the median of all transactions introduced above (see section 1) as well as the amount of the median minus one standard deviation, the minimum, and the amount of the median plus one standard deviation, the maximum. Accordingly, these values with be automatically updated with every new transaction introduced.   
  According to general statistics, in normal distribution 68% of all sample values are within one standard deviation above and below the median.[[10]](#footnote-10) Any transactions above or below one standard deviation may thus be considered unusual transactions that may merit attention by the Company. Unusually large transactions are generally considered to have increased ML risk whereas unusually small transaction may point to “smurfing”.   
  The standard deviation may provide additional information to the Company which of its client transactions statistically deviate and could thus be considered unusual.
* Column C: The Company is however required to have its own AML/CFT policies and procedures. These may include thresholds below or, most of all, above which amount a transaction is considered to be a high risk transaction. The Company may introduce these values as minimum or maximum respectively. The range between the minimum and maximum thresholds will automatically be calculated based on the values introduced by the Company.  
  Where the Company does not have a minimum or maximum threshold, “0” should be introduced in the respective cell.

### Understanding Transactional Risk Assessment Module

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**Section 3.** The standard deviation indicates how much the specific transaction deviates from the median in multiples of the statistically calculated standard deviation. 1.00 indicates that the deviation is one standard deviation or less.

**Section 4.** The threshold deviation indicates how much the specific transaction lies beyond the Company’s thresholds. The measure indicates the multiple of the range by which the transaction exceeds the threshold. 1.00 indicates that the transaction is within the threshold

**Section 5.** The combined country risk displays the sum of the country risk ratings of the origin of the transaction to the destination of the transaction. The combined country risk rating is automatically calculated: The name introduced by the user on the country of origin and destination of transaction respectively is automatically matched with the risk rating of the respective country/jurisdiction in the JRAM.

**Section 6.** The overall rating with reference to the standard deviation provides a risk value of the transaction taking the deviation according to standard deviation and country of origin and the destination of the transaction into consideration. It is automatically calculated by multiplying the standard deviation figure (see section 4 above) with the combined country risk. Transactions with a risk value above 1 standard deviation above or below the mean are highlighted in red.

**Section 7.** The overall rating with reference to the threshold(s) provides a risk value of the transaction taking the deviation from the indicated threshold(s) and country of origin and the destination of the transaction into consideration. It is automatically calculated by multiplying the standard deviation figure (see section 5 above) with the combined country risk. Transactions with a risk value above 1 standard deviation above or below the mean are highlighted in red.

**Section 8.** The risk count with reference to the standard deviation takes the amount of the transaction into consideration in addition to the deviation and the countries. It is automatically calculated by multiplying the amount of the transaction with the overall risk rating (see section 6 above). This value is calculated based on the general assumption that higher value transactions offer additional opportunities form ML.

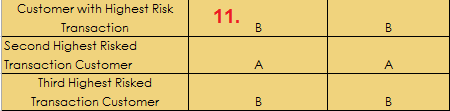
The colour coding highlights the transactions according to the value of their risk count. Red indicates the highest risk count, green the lowest.

**Section 9.** The risk count with reference to the threshold(s) takes the amount of the transaction into consideration in addition to the threshold deviation and the countries. It is automatically calculated by multiplying the amount of the transaction with the overall risk rating (see section 7 above). This value is calculated based on the general assumption that higher value transactions offer additional opportunities form ML.

The colour coding highlights the transactions according to the value of their risk count. Red indicates the highest risk count, green the lowest.



**Section 10.** The ratio of deviating transactions indicates the percentage of transactions that are outside one standard deviation from the median or exceed thresholds, as applicable.



**Section 11.** This section lists the three clients that have the transactions with the highest risk count (see sections 8 and 9 above).

## Support Annex

The support annex contains the lists used in the other modules. The Company may amend these lists to match its specific operations, needs and judgements.

### Sensitive Industries List

A list of sensitive industries that are considered to be particularly exposed to ML/TF has been drawn up. The list is most of all based on the Singapore National Money Laundering and Terrorist Financing Risk Assessment Report (“SNRA”)[[11]](#footnote-11), listing the industries highlighted in this report. This list has been expanded to take into consideration other sensitive industries listed under the FATF[[12]](#footnote-12) and further industries involving frequent cash transactions.

* **Casinos**[[13]](#footnote-13) - Largely cash based and is the perfect place for MLs to deposit layered.
* **Pawn Brokers**[[14]](#footnote-14) **-** May willingly or unwilling purchase stolen goods which in turn participates in the money laundering. Clients of such nature have an element of risk.
* **Money Lenders**[[15]](#footnote-15) **-** Money lending is an efficient means of evading inspection.
* **Lawyers, Public Accountants and other Corporate Service Providers and Professional Services**[[16]](#footnote-16) **-** Service providers may wilfully or wilfully be blind to ML activities[[17]](#footnote-17) i.e - the structuring of transactions and complex corporate structures to obscure the source of funds. Engaging clients of such professions is a risk element.
* **Non-profit organisations**[[18]](#footnote-18) - Charitable fundraising – i.e., the collection of resources from donors and its redistribution for charitable purposes – has been used to provide a cover for the financing of terrorism. In certain cases, the organisation itself was a mere sham that existed simply to funnel money to terrorists.[[19]](#footnote-19) Engaging with NPOs which have no financial transparency, terrorism or investigation preventive measures is a risk element.
* **Precious stones and metal dealers**[[20]](#footnote-20) **-** Many of these have access to secondary scrap markets, illegal mining and stolen or fake/counterfeit jewellery which are often a source of laundered money.[[21]](#footnote-21)
* **Tobacco Trade** – Clients with sale to countries with poor customs and borders control are a risk element.[[22]](#footnote-22)
* **Courier Services[[23]](#footnote-23) -** Transportation services are often engaged in the layering process of laundering money. A client engaging in this business maybe a voluntarily or involuntarily involved with ML processes.
* **Freeport Services**[[24]](#footnote-24) **-** Using a free zone for the deposit of valuables is an efficient way of evading timely inspections. Clients engaging the use of Freeport services are a risk element.
* **Virtual Currencies**[[25]](#footnote-25) - Anonymisers are dark nets and mixers that conceal and obscure the source of virtual currencies like BitCoin[[26]](#footnote-26). Dealing with a client that uses virtual currencies or deals with parties that uses virtual currencies is a risk element.
* **Crowd Funding[[27]](#footnote-27) -** It involves funding with practically no fungible limit and as such can come in varying amount from any number of anonymous parties to an anonymous party.
* **Financial products and services**[[28]](#footnote-28) **-** Complex corporate structures and services can be used to conceal and obscure illegal business activities. Buying a Credit Default Swap on business with illegal operations is method for MLs to secure laundered money.[[29]](#footnote-29)

### Legal Identity List

The legal identity list lists the different structures that may be used in the customer relationship, including wealth management structures.

### Yes/No Response

The no/yes response is simply used for dropdown menus.

### Risk Rating

The risk rating is simply used for dropdown menus.

### Legal Structure

The legal structure is simply used for referencing.

### Management Types

The management types list the services most frequently provided by IAMs.

### Customer Risk

The customer risk is simply used for dropdown menus.

# Annex 1 – Risks Assessment and Mitigation

“The nature and extent of AML/CFT risk management systems and controls implemented should be commensurate with the ML/TF risks identified via a CMI’s enterprise-wide ML/TF risk assessment.” (para. 4-13 AML/CFT Guidelines)

|  |
| --- |
| Available AML/CFT Resources |
| Human Resources |
| Examples: Compliance Officer, CEO, Relationship Managers with AML/CFT training |
|  |
| Technology and Other Capacities |
| Examples: Screening tools |
|  |

|  |
| --- |
| ML/TF Risk regarding Customers |
| Risk Concentration(s) |
| Examples: High number of customer or B.O.s from specific countries; Specific type of legal identity involved in many structures; High number of B.O.s involved in a specific sensitive industry |
|  |
| Risk Mitigation |
| Examples: The country where the high number of B.O.s are resident is an FATF member state with good ratings and low income tax rate; The responsible RM and the Compliance Officer are familiar with the tax regime of the country; The responsible RM and the CEO are well connected to the country where the PEPs are from. |
|  |

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| --- |
| ML/TF Risk regarding Countries/Jurisdictions related to Company |
| Risk Concentration(s) |
| Examples: Introducers are resident in high risk country; Accounts are booked in high risk countries |
|  |
| Risk Mitigation |
| Examples: The Company performs due diligence on the introducers and CDD on every client; Enhanced CDD is performed on every client introduced by the specific introducer. |
|  |

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| --- |
| ML/TF Risk regarding Products, Services and Delivery Channels |
| Risk Concentration(s) |
| Examples: Overwhelming majority of clients is under discretionary management; AUM concentrated on two customers. |
|  |
| Risk Mitigation |
| Examples: Discretionary management involves little ML/TF risk; Enhanced CDD is performed on customers with highest AUM |
|  |

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| --- |
| ML/TF Risk regarding Transactions |
| Risk Concentration(s) |
| Examples: Significant number of transaction exceeding threshold; One client with all three transactions showing highest risk. |
|  |
| Risk Mitigation |
| Examples: Enhanced CDD on customer with high risk transactions; Review of threshold. |
|  |

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| --- |
| Other ML/TF Risks |
| Risk Concentration(s) |
| Examples: - |
|  |
| Risk Mitigation |
| Examples: - |
|  |

|  |
| --- |
| Main ML/TF Risks Overall |
| Most Important ML/TF Risks |
| Examples: A significant number of clients is resident in a high risk country. |
|  |
| Risk Mitigation |
| Examples: The Company is focusing on the specific country and the respective RMs, senior management and compliance |
|  |
| Are the AML/CFT resources sufficient? |
|  |

Approved by Senior Management

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date: |  | Date: |  | Date: |
|  |  |  |  |  |
| Signature |  | Signature |  | Signature |
| Name: |  | Name: |  | Name: |
| Position: |  | Position: |  | Position: |

1. http://www.mas.gov.sg/~/media/MAS/Regulations%20and%20Financial%20Stability/Regulatory%20and%20Supervisory%20Framework/Anti\_Money%20Laundering\_Countering%20the%20Financing%20of%20Terrorism/MAS%20Notice%20SFA04N02%20%20April%202015.pdf [↑](#footnote-ref-1)
2. Enforcement of Foreign confiscation and freezing orders [↑](#footnote-ref-2)
3. Is it timely and speedy and efficient to get those court orders? [↑](#footnote-ref-3)
4. How efficient is the co-ordination between the courts and the [↑](#footnote-ref-4)
5. Information on AML activity is always more efficient domestically, is there an absence on such a gathering unit. [↑](#footnote-ref-5)
6. Is there a threat specific to that jurisdiction? [↑](#footnote-ref-6)
7. http://stats.oecd.org/ [↑](#footnote-ref-7)
8. <http://www.knowyourcountry.com/bvi3.html> for British Virgin Islands, <http://www.dubaifaqs.com/tax-in-dubai.php> for Dubai (U.A.E.) and <http://www.kpmg.com/Global/en/services/Tax/tax-tools-and-resources/Pages/individual-income-tax-rates-table.aspx> for all other jurisdictions not within the OECD statistics. [↑](#footnote-ref-8)
9. Considerations by SNRA on jurisdictions susceptible to private-banking and complex products at SNRA, p23 -39 [↑](#footnote-ref-9)
10. See for example Wikipedia, Standard Deviation; <https://en.wikipedia.org/wiki/Standard_deviation> [↑](#footnote-ref-10)
11. http://www.mof.gov.sg/portals/0/data/cmsresource/Press%20Release/2013/Singapore%20NRA%20Report.pdf [↑](#footnote-ref-11)
12. Sensitive industries studied by FATF under methods and trends sectionhttp://www.fatf-gafi.org/topics/methodsandtrends/ [↑](#footnote-ref-12)
13. SNRA, pg 68 [↑](#footnote-ref-13)
14. SNRA, pg 70 [↑](#footnote-ref-14)
15. SNRA ,pg 71 [↑](#footnote-ref-15)
16. SNRA, pg 74 - 77 [↑](#footnote-ref-16)
17. FATF “Money Laundering and Terrorism Financing vulnerabilities of Legal Professionals” http://www.fatf-gafi.org/media/fatf/documents/reports/ML%20and%20TF%20vulnerabilities%20legal%20professionals.pdf [↑](#footnote-ref-17)
18. SNRA, pg 81 [↑](#footnote-ref-18)
19. FATF “Combating the use of NPOs” pg, 6 http://www.fatf-gafi.org/media/fatf/documents/reports/Combating\_the\_abuse\_of\_NPOs\_Rec8.pdf [↑](#footnote-ref-19)
20. SRNA pg, 83 [↑](#footnote-ref-20)
21. FTAF Recommendation 22 mandates that customer due diligence and recordkeeping requirements set out in Recommendations 10, 11, 12, 15, and 17 apply to dealers in precious stones when they engage in any cash transaction with a customer equal to or above the applicable designated threshold (USD/EUR 15 000) http://www.fatf-gafi.org/media/fatf/documents/reports/ML-TF-through-trade-in-diamonds.pdf [↑](#footnote-ref-21)
22. “Illicit tobacco trade”http://www.fatf-gafi.org/media/fatf/documents/reports/Illicit%20Tobacco%20Trade.pdf [↑](#footnote-ref-22)
23. FTAF “Money Laundering and Terrorist Financing through Trade in Diamonds” page 36, http://www.fatf-gafi.org/media/fatf/documents/reports/ML-TF-through-trade-in-diamonds.pdf [↑](#footnote-ref-23)
24. SRNA, pg 83 [↑](#footnote-ref-24)
25. SNRA, pg 67 [↑](#footnote-ref-25)
26. http://www.fatf-gafi.org/media/fatf/documents/reports/Virtual-currency-key-definitions-and-potential-aml-cft-risks.pdf [↑](#footnote-ref-26)
27. Q&A on investment based crowd funding page 4 http://www.esma.europa.eu/system/files/esma\_2015\_1005\_qa\_crowdfunding\_money\_laundering\_and\_terrorist\_financing.pdf [↑](#footnote-ref-27)
28. SNRA, pg 41 - 67 [↑](#footnote-ref-28)
29. “Risk of Money Laundering through financial instruments” page 37 http://www.unrol.org/doc.aspx?d=3041 [↑](#footnote-ref-29)