Frequently Asked Questions

Firm-wide risk assessment

The FAQ on AML/CFT & Sanctions is a dynamic document that is periodically updated by the ICPAC Monitoring & Compliance Team. Updates are based on questions received from ICPAC Members during support interactions and from participant inquiries raised in ICPAC seminars.

The information provided in this FAQ is intended for general informational purposes only and does not constitute legal or professional advice. While we strive to ensure that the information is accurate and up-to-date, regulations, laws, and procedures may change, and interpretations may vary depending on specific circumstances. For any legal, compliance, or regulatory concerns, it is strongly recommended that you consult with qualified legal or compliance professionals to ensure adherence to relevant laws and regulations.

Date of Issue: 16 April 2025

Last Updated:

FAQs

Firm-wide risk assessment

1. **Q.: Is there any guidance available for preparing an AML/CFT firm-wide risk Assessment and a sanctions firm-wide risk assessment?**
   A.: Guidance for the AML/CFT firm-wide risk assessment is available in the ICPAC document titled *"Guidance Paper on the AML/CFT Firm-wide Risk Based Approach (FW-RBA) - AML/CFT"* which can be accessed here. Guidance for the Sanctions firm-wide risk assessment is available in the ICPAC document titled *"Guidance Paper on the Sanctions Firm-wide Risk Based Approach (FW-RBA) – Sanctions"* which can be accessed here.

2. **Q.: What is a firm-wide risk assessment, and why is it important?**
   A.: A firm-wide risk assessment is a comprehensive evaluation of the potential risks a firm might face concerning money laundering, terrorist financing, proliferation financing and sanctions evasion. It is crucial because it helps firms identify, assess, and mitigate these risks, and it is the basis on which the firm's policies, procedures and controls will be designed and implemented.

3. **Q.: Should the firm's sanctions risk assessment be included in the firm-wide risk assessment, or should it be maintained as a separate document?**
   A.: The obligation is to conduct a firm-wide risk assessment, not necessarily to maintain two separate documents. Therefore, it can be consolidated in a single firm-wide risk assessment. However, it is essential that all the sanctions relevant risk factors are thoroughly considered and incorporated into the assessment, rather than simply adding a few additional questions to the firm-wide risk assessment.

   In practice, however, combining the two into a single firm-wide risk assessment may be challenging due to the distinct risk factors and considerations specific to sanctions, which differ significantly from those for AML/CFT compliance.

   The decision on whether one or two separate documents are maintained should be based on the size and nature of the firm.

4. **Q.: Is there a difference between firm-wide risk assessment and client risk assessment?**
   A.: These are two different assessments that fulfill two different tasks but are both required under the AML/CFT Law and ICPAC's Directives.

   The firm-wide risk assessment aims to assess the money-laundering (ML), terrorist financing (TF), proliferation financing (PF) and sanctions risks to which the **whole business** is exposed. This process should be clearly outlined to demonstrate how conclusions were reached and should also include the procedures and steps to mitigate those risks.

The client risk assessment focuses on a specific client and assesses the ML/TF/PF and sanctions risks associated with that client. Based on the identified risks and their risk level classification, appropriate measures and controls should be implemented to mitigate those risks.

5. **Q.: What are the key steps in implementing a firm-wide Risk-Based Approach (RBA)?**
   A.: The key steps include:

- Identifying risks faced by the firm (clients, services, delivery channels, geography).
- Assessing the likelihood and impact of identified risks.
- Designing policies and implementing procedures and controls to mitigate risks.
- Monitoring and reviewing the effectiveness of controls and procedures.
- Documenting policies and procedures in manuals for consistent implementation.

It is noted that the firm-wide risk assessment does not need to be complicated but rather can be adjusted according to the size and nature of the firm.

6. **Q.: How often should a firm-wide risk assessment be conducted or updated?**
   A.: Firms should conduct and update their risk assessments regularly, at least annually, or whenever there are significant changes in the firm's operations, client base, or the regulatory environment. Regular updates ensure that the assessment remains relevant and effective.

7. **Q.: What methodologies can be used to effectively conduct a firm-wide risk assessment?**
   A.: Effective methodologies include identifying and evaluating inherent risks, assessing the effectiveness of existing controls, and determining the residual risk. Utilizing a structured approach, such as risk matrices or scoring systems, can aid in quantifying and prioritizing risks.

8. **Q.: What documentation is required to support a firm-wide risk assessment?**
   A.: Firms must maintain thorough documentation of the assessment process, including methodologies, findings, risk ratings, and decisions made based on the assessment, as well as maintain a history of the updates and approvals by senior management. This is critical for regulatory reviews and audits.

💡 **Important Insight:**

For a deeper understanding of this topic, make sure to watch the Firm-Wide Risk Asesement **ComplianceBrief**. It addresses key points and examples, sometimes going beyond what's in this FAQ

🎥 Watch the ComplianceBrief

Miscellaneous

1. **Q.: Where can I access ICPAC's published materials on AML/CFT and sanctions compliance?**
   A.: All materials related to AML/CFT and sanctions compliance published by ICPAC can be found under the **"Monitoring & Compliance"** tab on ICPAC's official website. This section includes guides, directives, and updates to assist with compliance requirements.

2. **Q.: Does ICPAC offer free seminars for its members or other educational material?**
   A.: ICPAC, in collaboration with VinciWorks, an online compliance training provider, offers its members free e-learning modules on compliance-related topics. The e-learning platform provides access to a variety of subjects, including Money Laundering, Client Due Diligence, Identifying and Dealing with Suspicions, Sanctions, Bribery and Corruption, Fraud, and Market Abuse, among others.

   ICPAC Members can access the platform here
   Furthermore, the educational initiative "ComplianceBriefs" has been developed to enhance understanding and awareness of AML/CFT and sanctions-related topics. The ComplianceBriefs series is available on the ICPAC website here. Please note that viewing this training material qualifies as non-verifiable CPD units for compliance purposes.

3. **Q.: When is the Consolidated AML/CFT & Sanctions Questionnaire released for completion?**
   A.: The submission of the Consolidated AML/CFT & Sanctions Questionnaire to ICPAC is an annual obligation. It is usually circulated to all firms and Compliance Officers at the end of May each year and aims at collecting information for the previous calendar year.

   The submission deadline for the Questionnaire is the 30th of June every year.

   To facilitate the preparation process, a template has been developed, highlighting key statistical data that firms should maintain to ensure readiness for the Questionnaire's release. The template can be accessed here under the name *«Annual AML-CFT Questionnaire - Template (statistics)»*. Please check the link regularly for any updates or revisions.

4. **Q.: Where can I find the required forms and templates for reporting information to ICPAC?**
   A.: All required forms are available on the ICPAC website here. These forms cover various reporting requirements, including the following:

   Forms:

a) **Trust Registration or Information Update:** To notify ICPAC about the registration of a trust in the trust registry or to update trust information, access the relevant form here. For any inquiries, contact trusts@icpac.org.cy

b) **Notification of Natural Persons Employed by an ASP**: The relevant form can be accessed here. For any questions, contact info@icpac.org.cy
c) **Notification of Subsidiary Companies of an ASP:** The relevant form is available here. For inquiries, contact info@icpac.org.cy
d) **Amendments to Firm Details:** To update firm details (e.g., name, addresses, compliance officer, director, shareholder, contact information, etc.), complete the Amendment of Firm's Details form, available here. For any questions, contact info@icpac.org.cy

Additionally, the ICPAC website offers compliance-related templates, which can be accessed here. These include:

Compliance Templates:

a) ICPAC AML Monitoring Visits – PVQ
b) ICPAC AML Monitoring Visits – AML Client List – PVQ
c) Reporting Template for Sectoral Sanctions
d) Template for True Matches Based on the Sanctions Directive
e) Sample Third-Party Reliance Questionnaire
f) Annual AML/CFT Questionnaire – Template (Statistics)

5. **Q.: What penalties can be automatically imposed for late submissions?**
A.: While penalties may be imposed for various infringements, in accordance with the ICPAC Regulation for Administrative Procedures and the Process of Imposing Administrative Sanctions, below are answers to some of the most frequently asked questions regarding penalty enforcement:

a) Failure to notify ICPAC within 7 days of any changes to the **Compliance Officer's** details incurs a predefined penalty of €500.
b) Failure to notify ICPAC within 15 days of the registration of a new **trust** or any changes to an existing trust incurs a predefined penalty of €100.
c) Failure to submit the annual **AML/CFT Questionnaire** within the set deadline incurs a predefined penalty of €500.
d) Failure to provide notification within 7 days of any changes to the Firm's **shareholding structure and directors** incurs a predefined penalty of €1000.