Frequently Asked Questions

Risk Based Approach (RBA)

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

Risk Based Approach (RBA)

1. **Q.: What is a Risk-Based Approach (RBA) in AML compliance, and why is it important?**
A.: A Risk-Based Approach (RBA) allows firms to assess and address money laundering, terrorist financing and sanctions risks proportionately. It enables firms to allocate resources effectively, prioritize high-risk areas, and streamline compliance processes for lower-risk clients.

2. **Q.: How should a firm determine its risk appetite under the RBA?**
A.: Risk appetite should be determined by the firm's senior management and documented in a Client Acceptance Policy (CAP). This policy should outline acceptable risk profiles, characteristics of clients, and set criteria for determining when to decline relationships that expose the firm to higher levels of risk, such as those involving convicted clients, clients whose activities involve arms dealing etc.

3. **Q.: If an individual, company, or related party is mentioned in the Panama Papers, Paradise Papers, or similar publications, how does this impact the risk level, and what steps should we take to mitigate it?**
A.: The reference to an individual, company, or related party in documents such as the Panama Papers or Paradise Papers, or similar publications, can still raise red flags and impact the risk assessment. While being mentioned in these documents does not necessarily indicate wrongdoing, it often indicates connections to overseas jurisdictions, complex structures, or tax optimization strategies, which may be indicators of an elevated risk profile.

Impact on Risk Level:

i. **Increased Risk Profile**: Being named in such documents may suggest potential for opacity in financial dealings, use of tax havens, or involvement in activities that could be linked to money laundering or tax evasion.

ii. **Need for Enhanced Scrutiny**: Even if no specific allegations of wrongdoing are made, the association alone warrants additional due diligence to understand the nature and rationale of the client's activities as well as the involvement of an overseas jurisdiction.

Suggested steps to Mitigate Risk:

i. **Enhanced Due Diligence (EDD)**:
   - Verify the individual's or company's connection to any overseas entity listed in such papers.
   - Obtain detailed information about the purpose of the overseas arrangement and its alignment with legitimate business activities.

ii. **Source of Wealth and Funds (SoW/SoF):**
   - Assess the source of wealth and funds to ensure they are legitimate and not linked to income from illicit activities.

   - Request supporting documentation, such as financial statements, tax return forms, or transaction records.

iii. **Review Ownership Structures:**
   - Analyze the ownership and control structure of the entity to detect any unusual or excessively complex or opaque arrangements.
   - Pay particular attention to nominee shareholders, bearer shares, or any unusual arrangements.

iv. **Adverse Media Screening:**
   - Conduct detailed checks for any adverse media, sanctions, or regulatory violations related to the individual or associated parties.
   - Look for links to high-risk jurisdictions or industries.

v. **Continuous Monitoring:**
   - Implement ongoing transaction monitoring to identify any unusual or high-risk activities.
   - Reassess the risk profile periodically based on updated information.

vi. **Risk-Based Decision:**
   - Decide whether to maintain or terminate the relationship based on cumulative risk assessment and whether the risks can be adequately mitigated.

The aim is to ensure transparency, compliance, and an understanding of any potential risks associated with being named in such documents.

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.