KPMG
cutting through complexity

Anti-Money Laundering (AML) and Sanctions Services Risk Management Programme

An integral part of any AML risk management programme is the process by which the business, as the first line of defence, identifies and evaluates money laundering and terrorist financing (ML/TF) risks. Without adequate processes to undertake these activities, an organisation's control environment may be exposed to unknown weaknesses and key stakeholders may not be able to develop the necessary understanding of risk to perform their responsibilities effectively. The absence of effective risk and control assessment activities will impair an organisation's ability to identify, prioritise, escalate and remediate risk issues impacting the most important parts of managing a business such as strategy setting, business planning, large-scale project implementation, customer retention, the maintenance of mission-critical systems and processes, and the launching of new products.

The financial regulators expect financial institutions to implement robust, sustainable and effective policies, procedures and controls (systems) to ensure compliance with the relevant ML/TF legislative and regulatory requirements.

In addition, emphasis is placed on institutional ML/TF risk assessments as one of the focus areas. Accordingly, financial institutions seeking to comply with the ML/TF legislative and regulatory requirements must be able to demonstrate that they have conducted an ML/TF risk assessment of their own businesses.

Information about this key service offering from KPMG is summarised below.

👍 The Challenges

1. Creating an AML & Sanctions risk framework to organise and categorise risks, which provide a consistent way to evaluate risk across the major risk categories such as products/services, customers, geographies and delivery/distribution channels

2. Identifying and defining risks at an appropriate level of granularity to facilitate actionable results

3. Assigning risks to the appropriate risk owners and getting those individuals sufficiently engaged in their risk ownership responsibilities, including the risk and control assessment process

4. Developing a risk and control assessment methodology that produces meaningful and actionable information with respect to improving an organisation's risk profile, strengthening the control environment and improving key stakeholders' decision-making capabilities

5. Determining how frequently to update the risk assessment results (identification of trigger events and regular assessment patterns)

6. Managing the scope of the process, particularly in large global organisations

7. Developing remediation action plans that are not costly and which do not affect the enterprise goals

8. Providing adequate change management and training tools to facilitate the adoption of desired risk assessment behaviour across the organisation

9. Coordinating the broader institutional risk assessment process with other risk assessment processes that are undertaken across the organisation, as well as those that may be conducted by the Internal Audit department to avoid burdensome responsibilities for the business, unnecessary duplication of effort and the creation of mixed messages regarding risk profiles

10. Aggregating, interpreting and reporting the results of the risk assessments to the stakeholders in a meaningful and consistent fashion to aid risk mitigation and key decision-making

The Objectives

- Determine the organisation's ML/TF 'risk footprint'
- Create a means for the organisation's ML/TF risks and key controls to be evaluated, with critical risks being escalated to senior management and the board
- Establish a basis upon which the business can evaluate its risks, for example those associated with:
  – Business and strategic planning
  – New product development
  – Emerging money laundering typologies and risks
- Develop an ML/TF risk management framework that is effective and specific to the financial institution
- Understand areas where risks are not sufficiently mitigated, or where control efforts are potentially duplicated
- Provide a key source of risk information that is reported to senior management and the board
- Achieve sustained profitability through a strong risk management programme

Our Approach

KPMG will leverage a knowledge base of lessons learnt from previous engagements, engagement accelerators, industry-leading practices, and our understanding of regulatory standards and expectations, while delivering the following approach:

- We help our clients build a multilevel ML/TF risk taxonomy by leveraging our internal library of financial services risk and control information, and facilitating workshops held with the various stakeholder groups.
- We work with our clients to identify which risks are included in other risk frameworks across the organisation, such as in the IT and Compliance departments, to avoid redundancy and seek opportunities to leverage existing processes.
- We leverage our industry practice experience of assigning risk owners to various risks throughout the financial services industry and work with key stakeholders to educate identified risk owners about their responsibilities.
- We apply accelerators such as our risk and control library to work with clients to identify which key controls are also a part of other risk frameworks in order to eliminate redundancy and seek opportunities to leverage existing control assessment processes.

- We help our clients develop a risk assessment methodology tailored to the size and complexity of the organisation and its risk profile. This methodology typically involves a deterministic approach that translates the knowledge and judgement of risk owners into quantitative and/or qualitative likelihood and impact scores (inherent and residual risk assessments) for each risk.
- We work with clients to develop an appropriate control-scoring methodology to create the ability to identify key control weaknesses of top risks.
- We help our clients develop a methodology to aggregate risk assessment results. We believe that organisations should have the ability to aggregate the risk assessment results of individual risks to create a more accurate picture of risk impact.

Essential components of ML/TF risk assessment capabilities

Framework element	Description
Risk Taxonomy	Establishment of a risk taxonomy (framework for organising and categorising risks) that provides a consistent way of evaluating ML/TF risks across the major risk categories
Risk Ownership	Identification and assigning of appropriate risk owners to risks across the enterprise
Risk Controls	Confirmation and mapping of key risk controls to the risk taxonomy
Risk & Controls Scoring	Deterministic approach that translates knowledgeable judgement of risk owners into quantitative and/or qualitative metric
Risk Aggregation	Establishment of a methodology to aggregate risk assessment results
Risk Assessment	Establishment of a methodology to enhance the ability to understand key risks, risk drivers, control weaknesses, trends, etc.
Risk Reporting	Interpretation and reporting of the risk assessment results to aid risk mitigation and key decision-making

Our Team

- **Senior leadership team with in-depth, relevant skills**
Our senior team is a seasoned group of professionals who have industry experience working as Certified Anti-Money Laundering Specialists, accountants, Certified Fraud Examiners, IT specialists, or who are former industry professionals including regulators, bankers and lawyers. They also have many years of professional services experience helping organisations develop risk assessment capabilities.

- **Knowledge honed by global experience**
Our global perspective has been built upon a knowledge base of regulatory regimes that require robust ML/TF risk assessment capabilities and through our work with regional and global organisations, each involving different variations of risk assessment approaches.

- **A practical and well-developed approach**
Technical insight and expertise is important, but certainty of delivery is equally important. We have a tried-and-tested approach to deliver quality work.

Contact us

For more information on KPMG's AML & Sanctions Services, or to arrange an in-house presentation, please contact:

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