



# Financial crime risk assessment

Regulation in force to prevent financial crime has become more risk focused, requiring organisations to fully understand the risks their organisation faces based on their business model and strategy. Companies' financial crime controls are increasingly in the crosshairs of regulators. Therefore, embedding financial crime controls in a risk management framework and developing a robust risk assessment tool around this framework has become a key priority. The following article discusses the recently published risk assessment approach<sup>1</sup> set out by the Walkling Group and looks at possible approaches that might be considered based on EU and U.K. regulatory requirements.

## Some risk assessment guidance

The Financial Conduct Authority's (FCA) guide *Financial crime: A guide for firms*, published in April 2015,<sup>2</sup> underlines that a thorough understanding of a firm's financial crime risks is key if a firm is to apply proportionate and effective systems and controls. Likewise, the Walkling Group noted in a recent publication titled *Frequently Asked Questions on Risk Assessments for Money Laundering, Securities, and Bribery and Corruption* that a risk assessment framework is the basis from which organisations can derive risk tolerances and assess their financial crime risk exposure.<sup>3</sup>

A risk assessment should be embedded in a risk-based approach, which relies on a risk framework. This framework should include identifiable risk metrics, thus providing the most effective levels of compliance and ability to detect, report and prevent corruption, money laundering (ML), fraud, securities violations, terrorist financing (TF) and tax evasion.

The FCA's publication, *Financial crime: A guide for firms*,<sup>4</sup> provides guidance on developing a risk assessment. It sets out the following key questions which organisations setting out to undertake a risk assessment should strive to answer:

<sup>1</sup> Walkling Group, <http://www.walkinggroup.com>

<sup>2</sup> The Financial Conduct Authority, "Money Laundering," February 3, 2015, <http://www.fca.org.uk/about/factbook/moneylaundering>

<sup>3</sup> Walkling Group, "Frequently Asked Questions on Risk Assessments for Money Laundering, Securities and Bribery and Corruption," 2015, [http://www.walkinggroup.com/pdf/News/Walking Risk Assessment FAQ 2015.pdf](http://www.walkinggroup.com/pdf/News/Walking%20Risk%20Assessment%20FAQ%2015.pdf)

<sup>4</sup> The Financial Conduct Authority, "Financial crime: A guide for firms," December 2015, <http://www.fca.org.uk/about/factbook/policy-announcements/financial-crime>