

## Module 4

### Risk assessment for your AML/CTF program

#### Test yourself questionnaire

#### Question 1

##### Compliance and risk management

Select the correct option from the list below.

Planning the AML/CTF program involves an understanding of both compliance and risk management. Compliance is about meeting obligations which in this case are mandated by the AML/CTF Act.

Risk management involves:

- a. the identification of different types of risk
- b. assessing the impact of these risks
- c. determining the risk appetite of the organisation
- d. putting in place risk management procedures and controls
- e. all of the above

## Question 2

### Compliance program

Match the term on the left with the correct phrase on the right.

According to the Australian Competition and Consumer Commission (ACCC) an effective compliance program is likely to have at least the following five characteristics.

strategic vision	each of the risks is managed at specified points
risk assessment	compliance activities are linked to the business's strategic goals
control points	the business actively identifies its compliance risks and reassesses those risks at regular intervals as part of entering into new business areas or activities
adequate documentation	the business self-evaluates its performance and its approach to ensure they are appropriate to its operations
continuous improvement	compliance endeavours are adequately documented to ensure they can be substantiated in the event of a breach

## Question 3

### Risk management process

Complete the sentence by selecting the correct option from the list below.

Risk management is the process of \_\_\_\_\_ risk and developing methods to mitigate and manage it.

- a. recognising
- b. increasing
- c. creating
- d. eliminating
- e. identifying

## Question 4

### Which risks do you need to manage?

Match the term on the left with the correct phrase on the right.

The Risk Principles Framework identified two categories of risk that need to be managed in implementing an AML/CTF program; business risk and regulatory risk.

What does each definition refer to?

business risk	associated with not meeting your obligations arising from the AML/CTF Act
regulatory risk	the risk that your business may be used for money laundering or terrorism financing

## Question 5

### A risk management method

Select the correct option from the list below.

When managing risk you will only be expected to counter risks which your business may reasonably be expected to face while providing its services. However risk management involves a process of steps to be taken in order. This order is:

- a. risk identification, risk analysis, risk treatment, risk monitoring and review
- b. risk identification, risk treatment, risk analysis, risk monitoring and review
- c. risk analysis, risk identification, risk treatment, risk monitoring and review
- d. risk identification, risk analysis, risk monitoring and review, risk treatment

## Question 6

### Risk identification

Answer the question by filling in the space below.

The following risks are associated with you not meeting the requirements of the AML/CTF Act:

- customer verification not done properly
- failure to train staff adequately
- not having an AML/CTF program
- failure to report suspicious matters
- not doing an AML/CTF compliance report
- not having an AML/CTF compliance officer.

These types of risks are known as \_\_\_\_\_ risks.

## Question 7

### Risk assessment

Select the correct option from the list below.

Once you have identified the ML/TF risks you expect to encounter in your business, these risks need to be assessed or measured in terms of a combination of:

- likelihood; that these will occur
- impact; the consequence of loss or severity of damage that may result if these do occur.

The risk equation can be written as:

- likelihood ÷ impact = risk level/score
- likelihood x impact = risk level/score
- risk level/score x impact = likelihood
- likelihood x risk level/score = impact

## Question 8

### Applying risk appetite to risk assessment

Select the correct option below.

The term 'risk appetite' refers to the amount of ML/TF risk an organisation has made a conscious decision to accept when offering a designated service.

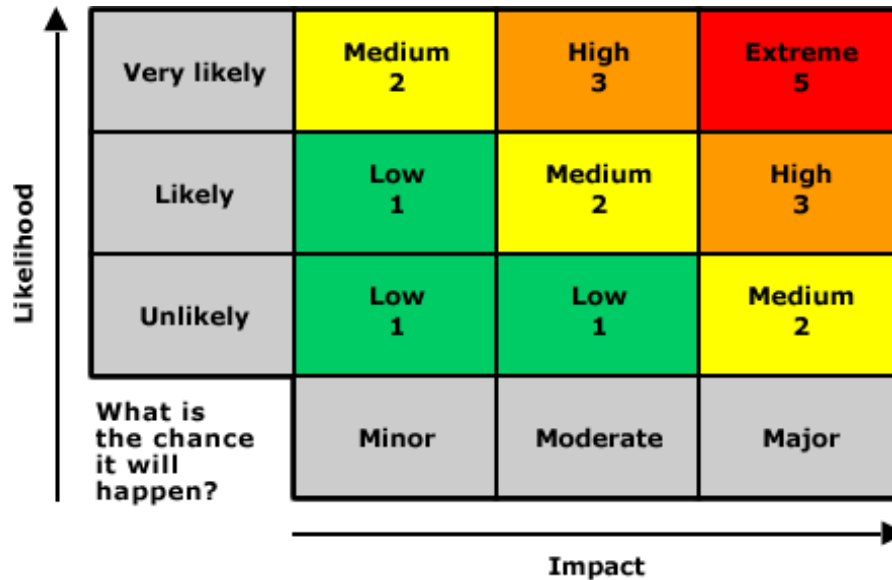
- true
- false

## Question 9

### Risk matrix and risk score

Choose the correct option from the list below.

The risk matrix is used to combine LIKELIHOOD and IMPACT ratings and values to obtain a risk score. The risk score may be used to aid decision making and help in deciding what action to take in view of the overall risk. What rating would you attribute to risk likely to happen and/or to have major consequences?



The risk matrix is a 3x3 grid. The vertical axis is labeled 'Likelihood' and has three categories: 'Very likely', 'Likely', and 'Unlikely'. The horizontal axis is labeled 'Impact' and has three categories: 'Minor', 'Moderate', and 'Major'. The cells contain risk scores and their corresponding labels. The scores are: (Very likely, Minor) = 2 (Medium), (Very likely, Moderate) = 3 (High), (Very likely, Major) = 5 (Extreme), (Likely, Minor) = 1 (Low), (Likely, Moderate) = 2 (Medium), (Likely, Major) = 3 (High), (Unlikely, Minor) = 1 (Low), (Unlikely, Moderate) = 1 (Low), (Unlikely, Major) = 2 (Medium). The labels 'Minor', 'Moderate', and 'Major' are located in a separate row at the bottom of the grid, under the 'Unlikely' row.

Likelihood ↑	Very likely	Medium 2	High 3	Extreme 5
	Likely	Low 1	Medium 2	High 3
	Unlikely	Low 1	Low 1	Medium 2
	What is the chance it will happen?	Minor	Moderate	Major
		→ Impact		

- a. 1 Low
- b. 2 Medium
- c. 3 High
- d. 5 Extreme

## Question 10

### Understanding the business's internal environment

Match the term on the left with the correct phrase on the right.

Before designing the AML/CTF program it is useful to assess your company's ability to implement and sustain a program. The following are a number of key elements that you should understand, as these will form the starting point of your design and implementation of your AML/CTF program:

integrity and values	can facilitate the development and management of a risk management program
risk management philosophy	reflects the degree to which people are authorised and encouraged to use their initiative in day-to-day activities as well as assigning the limits to their authority
authority, responsibility and accountability	the shared values, attitudes and beliefs which characterise how business leaders consider risk
available resources and people	strongly influences the effectiveness of risk management in an organisation

## Question 11

### Risk treatment

Select the correct option from the list below.

One way of reducing identified ML/TF risk is to use a combination of risk groups.

You will be able to calculate whether the overall risk rating is acceptable because each risk group is assigned a different risk rating.

Which of the following risk groups would you consider **not** relevant?

- a. customer
- b. country
- c. product/service
- d. financial

## Question 12

### Risk management

Answer the question by filling in the space below.

In addition to defining your business's risk appetite, you can also define a level of variation to how you manage that risk.

This variation is known as risk \_\_\_\_\_.