

## Module 4

### Risk assessment for your AML/CTF program

#### Quiz with answers

#### Question 1

##### Compliance and risk management

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

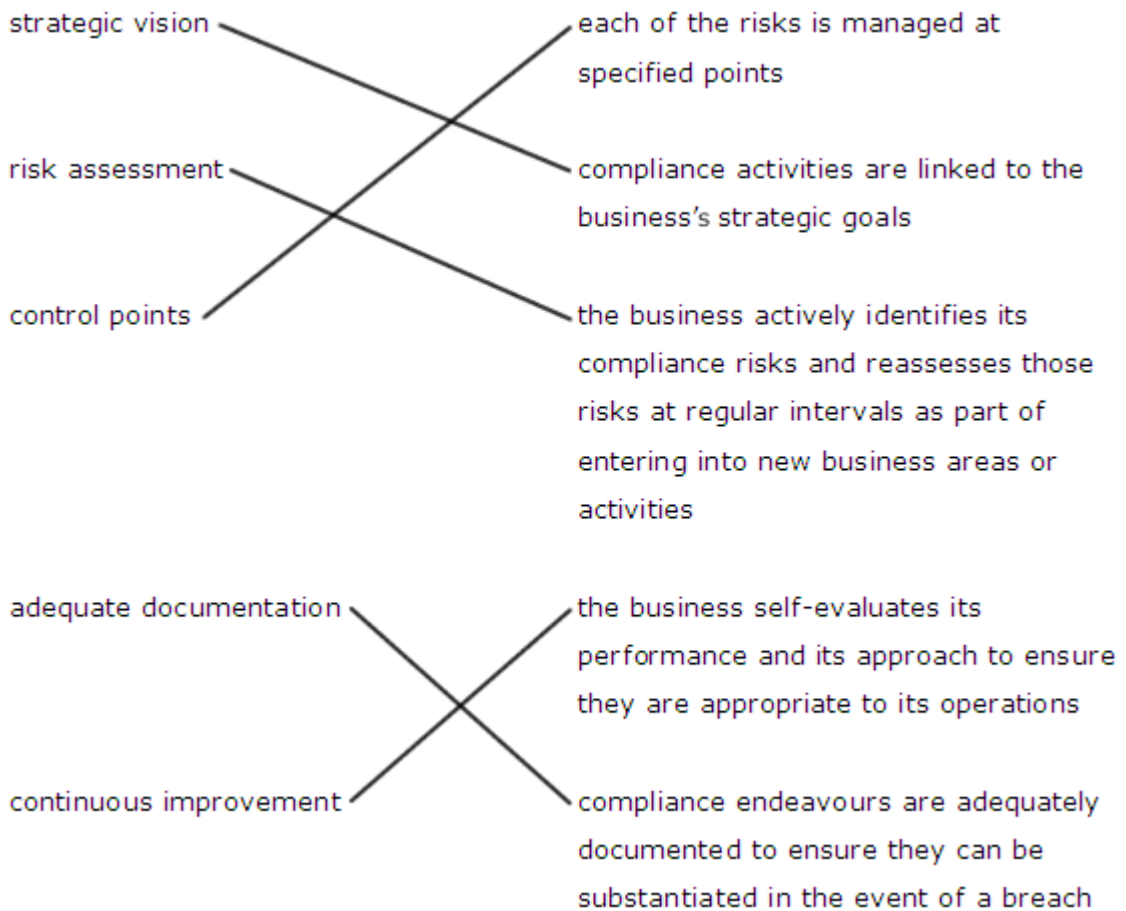
**Answer: e. all of the above**

## Question 2

### Compliance program

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

**Answer:**



### Question 3

#### Risk management process

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

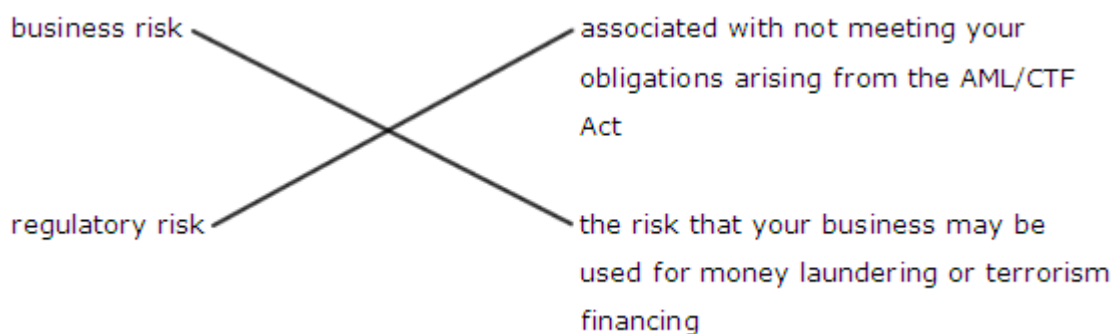
**Answer: a. recognising and e. identifying**

### Question 4

#### Which risks do you need to manage?

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?

**Answer:**



## Question 5

### A risk management method

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

**Answer: a. risk identification, risk analysis, risk treatment, risk monitoring and review**

## Question 6

### Risk identification

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.

**Answer: regulatory**

## Question 7

### Risk assessment

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

**Answer: b. likelihood x impact = risk level/score**

## Question 8

### Applying risk appetite to risk assessment

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.

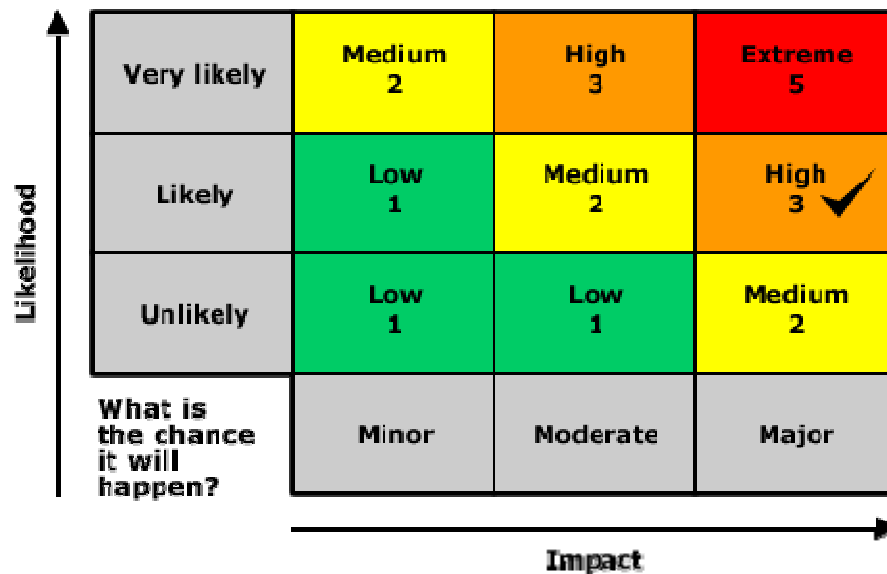
- true
- false

**Answer: a. true**

## Question 9

### Risk matrix and risk score

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?



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

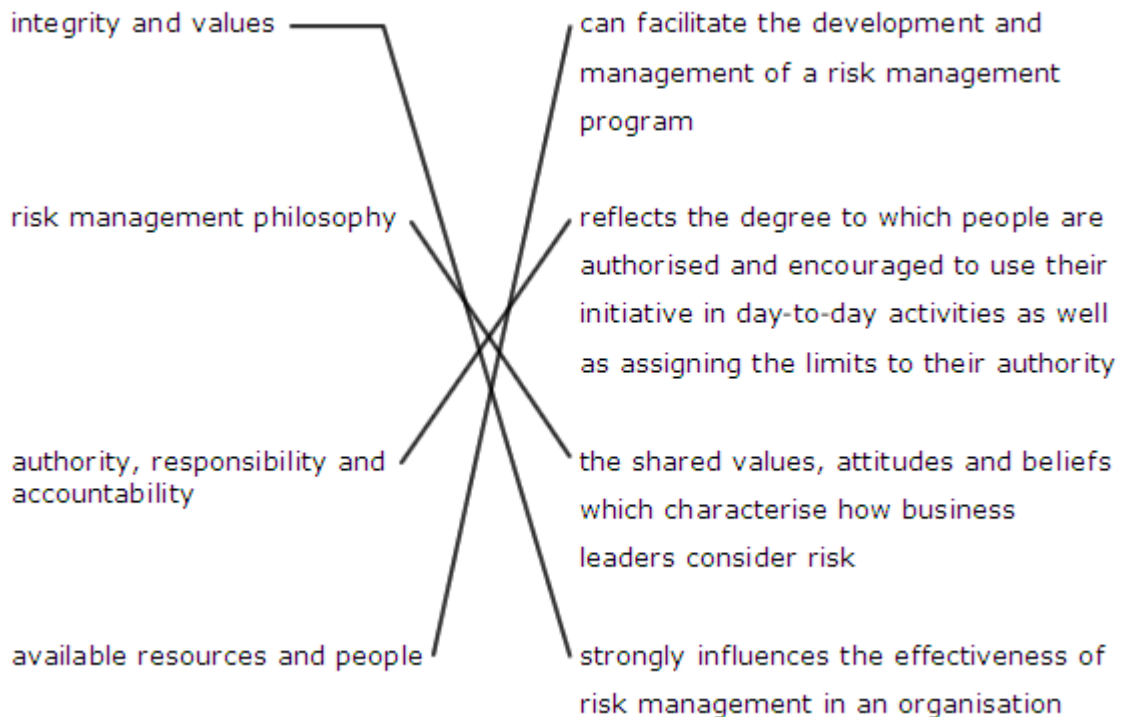
**Answer: c. 3 High**

## Question 10

### Understanding the business's internal environment

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.

#### Answer:



## Question 11

### Risk treatment

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

**Answer: d. financial**

## Question 12

### Risk management

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 \_\_\_\_\_.

**Answer: tolerance**