A pocket guide to:

Business Wide Risk Assessments (BWRA)

To find out how FCR Compliance can help you with your BWRA needs please contact Steve@FCRcompliance.com

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What is a BWRA?

A Business Wide Risk Assessment (BWRA) is the foundation of your anti-financial control (AFC) framework. It provides a holistic view of the financial crime risks and threats you face, and the controls and systems you need to have in place to mitigate them.

The purpose of the assessment is to review and improve your AFC framework by identifying those risks and assessing how effectively you are mitigating them.

Remember:

The purpose of a BWRA is to identify the strengths and weaknesses of your financial crime programme.

If you identify issues , it means the process **is working**.

What should a BWRA do?

An effective BWRA should demonstrate a thorough understanding of your financial crime risks.

This is key in order to allow you to apply proportionate and effective systems and controls.

A firm should identify and assess the fincrime risks to which is is exposed (**inherent risk**) as a result of, for example:

- the products and services it offers;
- the jurisdictions in which it operates;
- the complexity and volume of its transactions; and
- distribution channels through which it services its customers.

Remember:

An effective BWRA should:

- be comprehensive and consider a wide range of factors - it is not enough to consider just one factor
- draw on a wide range of relevant information - it is not enough to consider just one source of information
- be proportionate to the nature, scale and complexity of your firm’s activities
- be regularly reviewed to ensure the assessment remains current

BWRA Methodology

A good BWRA should provide sufficient information to respond to the following self-assessment questions:

1. What are the main fincrime **risks** to the business?
2. How does your firm seek to **understand** the fincrime risks it faces?
3. When did the firm last **update** its risk assessment?
4. How do you **identify new or emerging** fincrime risks?
5. Is there evidence that risk is considered and recorded systematically, assessments are updated and **sign-off** is appropriate?

BWRA Methodology

6. Who **challenges** risk assessments and how? Is this process sufficiently rigorous and well-documented?
7. How do **procedures** on the ground adapt to emerging risks? (for example, how quickly are policy manuals updated and procedures amended?)

The BWRA should also detail the qualitative and quantitative means of assessing the risk.

Key documents and information

To have a defendable BWRA, it is crucial that it is underpinned by data and auditable information sources such as:

- A BWRA methodology document
- A risk log
- A controls log
- A controls effectiveness assessment
- Audit reports

How do I conduct a BWRA?

1. Identify your risks and record how these were identified on a risk register.
2. Assess them for seriousness and likelihood of the risk. This is your **‘inherent risk’**.
3. Map which of your controls serve to reduce the risk.
4. Assess the effectiveness of the relevant controls.
5. Determine the remaining or **‘residual risk’**.

What does it all mean?

Risk Register:
This can be as simple of a list of the financial crime risks you face.

It is advisable to also include how you have identified these risks, for example, which external sources have you used e.g. recent FCA thematic reviews or the UK National AML Assessment.

Controls Log:
This should cover all of your controls, from your operational controls such as customer due diligence and transaction monitoring, to your training, governance and oversight.

The effectiveness of these controls should be subject to regular review as part of your assurance programme and audit and testing programmes.

The findings should be adopted to assess the controls' effectiveness.

Remember:

The **existence** of a control does not mitigate the risk.

It's the **effectiveness** of the control which mitigates the risk.

Inherent Risks

Inherent risks are the financial crime risks that you as a firm are exposed to because of financial crime factors such as:

- your customers
- products and services
- geographical locations in which you operate
- transactions

These risks need to be mapped to financial crime typologies such as:

- Money Laundering
- Terrorist Financing
- Fraud
- Bribery and Corruption
- Sanctions
- Tax Evasion
- Proliferation Financing

Remember:

You may not be exposed to all of these risks, but even if you have no exposure to a particular factor, this **must** be reflected in your BWRA to demonstrate you have actively considered it.

Residual Risk

The residual risk is the remaining risk that you face once your controls have been applied to your inherent risks.

Once you understand your risk, you must refer this back to your risk appetite statement to ensure that you are operating within your own documented tolerances.

Steve Lockwood

Steve is one of FCR Compliance's founders. He has been a financial crime specialist for over 20 years.

Steve started his career in law enforcement investigating organized crime money laundering, he moved to the UK Financial Conduct Authority (FCA) as an investigator in Enforcement and then as a specialist supervisor in the Financial Crime Supervision team. Here he conducted reviews of regulated firms' financial crime compliance programs.

Since 2017 Steve has been helping clients to assess, develop and remediate their Financial Crime compliance programs.

In 2023 Steve was appointed to the International Compliance Association (ICA) panel of external experts.

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