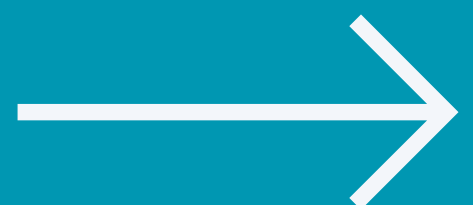


A pocket guide to: drafting an MLRO report

To find out how FCR Compliance can help you with your MLRO report, please contact Steve@FCRCompliance.com



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What is the requirement?

SYSC states that MLROs should submit a report **at least annually** to senior management.

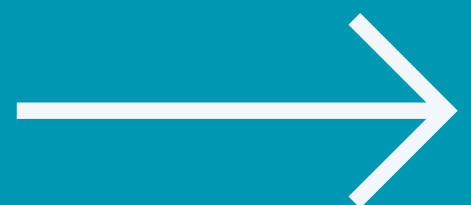
This is the minimum requirement - firms may chose to report more frequently.



Drafting an effective MLRO report

An MLRO report needs to be risk based, informative and outcome focussed. This is achieved by:

- detailing AML related roles & responsibilities
- using clear, simple and meaningful metrics
- cross referring to other relevant documents - don't try to squeeze everything into one document
- drawing definitive conclusions
- making appropriate risk based recommendations



Report use & format

The report is a key document, speaking to the effectiveness of your systems and controls, governance and oversight.

It is highly likely to be requested by the FCA / Skilled Person during reviews and assessment.

The format may vary, but it must report on the operation and effectiveness of controls in relation to compliance, financial crime and money laundering.



Structuring your report

It is suggested you break your report down into four sections:

Section One - AML governance

Section Two - Systems and Controls

Section Three - Summary of Business

Section Four - Conclusions and recommendations



Section One:

AML governance

This should include:

- names of Directors and/or Senior Managers responsible for establishing and maintaining effective AML systems and controls and specific responsibilities
- name and location of MLRO and anyone with delegated responsibilities
- any other roles held by the MLRO e.g. Nominated Officer



- MLRO employment dates, including dates of any delegated responsibilities, and details of any temporary arrangements
- description of any Group MLRO structure
- details of MLRO responsibilities, resourcing adequacy and access to information required to fulfill the role
- name of the Nominated Officer



Section Two: Systems and Controls

This should include:

- **Staff training** - training policies, methods, attendance, quality checks / feedback loops, bespoke training for key personnel or to address areas of weakness, training success
- **Management information (MI)** - types of information, individuals and forums who receive MI (including how & when), any issues identified with obtaining or sharing the information



- **Policies, procedures and risk assessments**
 - summary documentation of these should be provided along with any material changes or issues, changes in regulatory or risk landscape, and what external sources have been used and how (national risk assessment, JMSLG etc)
- **New products** - confirm NAPA process
- **Financially excluded** - detail process for dealing with financially excluded and provide metrics
- **Monitoring effectiveness** - describe firm and MLRO processes to ensure systems and controls cover the areas required by SYSC



Section Three: Summary of Business

This should include:

- **Business operations** - describe business operations and highlight any material changes since the last report and how these have impacted financial crime controls
- **Customers** - numbers, countries, changes in profile
- **AML control summaries** such as: KYC/CDD, PEPs, sanctions, transaction monitoring, SARs



- **Any exemptions** outside of risk appetite
- **Specific controls** for any high risk customers
- **AML control third party providers** - who are they? what do they do?
- **Product profiles** - including AML risk
- **Record keeping** - including current process and any recent breaches
- **Court orders** - including numbers, thematic findings and lessons learned



Section Four: Conclusions and recommendations

Conclusion

Provide an overall assessment of systems and controls.

This should be directly linked back to the SYSC requirements.

Identify any material control failures or breaches and detail the remediation.



Recommendations

Explain and prioritise areas of the AML program that are to be enhanced, and commit to your timeframes.

Detail any further recommendations and comment on the adequacy of resourcing.





FCR Compliance

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.