Risk Based Approach (RBA) Guide

RBA is the process of identifying, assessing and understanding your firm's exposure to the money laundering/ terrorism financing/ proliferation financing (ML/TF/PF) risks and taking reasonable and appropriate anti-money laundering, countering financing of terrorism and countering proliferation financing (AML/CFT/CPF) measures effectively and efficiently to mitigate and manage the risks.

RBA

Risk Profiling

At the point of customer onboarding

Conduct risk profiling on the customer and assign an ML/TF/PF risk rating commensurate to the risk profile of the customer.

Reporting institutions must consider the following factors in profiling the risk of their customers, where relevant:

1. customer risk;
2. country or geographical risk;
3. products, services, transactions or delivery channel; and
4. any other information suggesting that the customer is of higher risk

(examples in next page)

For customer profiled as higher risk

RI to conduct enhanced CDD (please refer to the CDD Guide)

Existing customer

Any changes to the risk profile of the customer?

Regularly review and update the customer's risk profile based on his/her level of ML/TF/PF risks

Institutional Risk Assessment

Identify, assess and understand ML/TF/PF risks.

Overall risk

In relation to the following:

1. customers;
2. countries or geographical areas;
3. products, services, transactions or delivery channels; and
4. other relevant risk factors.

Have policies, controls and procedures to manage and mitigate ML/TF/PF risks that have been identified.

Examples of mitigation measures include:

- Monitor higher risk customers' transactions with greater sensitivity
- Introduce limits for certain higher risk transactions
- Regularly assess staff's knowledge on the higher risk areas
- Employ biometric system for better customer verification
- Require additional internal approvals for certain transactions and products or services

Reporting institutions to use risk profiling information to support institutional risk assessment

Note: Please refer to Paragraph 10 of the Anti-Money Laundering, Countering Financing of Terrorism, Countering Proliferation Financing and Targeted Financial Sanctions for Designated Non-Financial Businesses and Professions (DNFBPs) and Non-Bank Financial Institutions (NBFIs) (AML/CFT/CPF and TFS for DNFBPs and NBFIs Policy Document)

Risk Factors for Risk Profiling and Institutional Risk Assessment

The risk factors to be considered for risk profiling and institutional risk assessment are generally similar. The difference lies wherein that risk profiling looks at the individual customer, while institutional risk assessment looks at the risks of the firm/ business as a whole.

EXAMPLES OF RISK FACTORS

RISK PROFILING

Customer risk

- Politically exposed person (PEPs)
- High net worth customer e.g. customer with assets worth RM3 million and above
- Nationality
- Customer with large and complex business structure
- Customer provides vague or incomplete information about its proposed trading activity
- Involvement of nominee shareholder/ director
- Any adverse news on the customer e.g. involvement in investigations or having criminal records

Product/ service risk

- Product/ service provides anonymity
- Value/ volume/ type of product/ service not commensurate with the customer profile
- Involves nominee services
- Involves complex and unusual transactions

Geographical risk

- Customer connected to or originates from higher risk countries (called by the Financial Action Task Force or Government of Malaysia)
- Location of business

Transaction/ delivery channel risk

- Non face-to-face
- Cross border transaction
- Involves complex and unusual payment methods
- Involvement of unknown third parties for payments

INSTITUTIONAL RISK ASSESSMENT

Customer risk

- What is the **overall** exposure of your firm to higher risk customers?

Product/ service risk

- What is the **overall** exposure of your firm to higher risk products/ services?

Geographical risk

- What is the **overall** exposure of your firm to geographical risk?

Transaction/ delivery channel risk

- What is the **overall** exposure of your firm to transaction/ delivery channel risk?

Examples of Additional risk factors:

- **Size of business**: Larger size and structurally complex firms are exposed to higher ML/TF/PF risks
- **Risks identified in NRA**: Exposure to customers from highly vulnerable sectors pose higher ML/TF/PF risks