

AML risk assessment - Glossary and useful links

Beneficial owner: Beneficial ownership refers to the identity of the individuals who ultimately control a corporation or entity. You must search through as many levels of information as necessary in order to determine beneficial ownership.

Business relationship: You enter into a business relationship when a client opens an account or undertakes two or more transactions with you that require you to ascertain the identity of the client, regardless of whether the transactions are related to each other.

Delivery channels: Medium that can be used to obtain a product or service, or through which transactions can be conducted.

FINTRAC: The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), is Canada's financial intelligence unit.

Inherent risk: Risk that exists before the application of controls or mitigation measures.

Mitigation measures: Controls put in place to limit the potential money laundering and terrorist financing risks you have identified while conducting your risk assessment.

Non-face-to-face transactions: Transactions where the client is not into direct face-to-face contact with you (for example, Internet, telephone or mail)

NPO: Non-Profit Organization is a legal person or arrangement or organization that primarily engages in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of "good works".

Politically exposed foreign persons: Individual who holds or has held specific offices or positions in or on behalf of a **foreign** country (also includes some of their family members).

Risk-based approach: In the context of ML/TF, a risk-based approach is a process that encompasses the following:

- The **risk assessment** of your business activities and clients using certain prescribed elements: Products, services and delivery channels; geography; clients and business relationships; and other relevant factors.
- The **mitigation of risk** through the implementation of controls and measures;
- Keeping **client identification** and business relationship information up to date; and
- The **ongoing monitoring** of transactions and business relationships.

Third party: individual or entity other than the individual who conducts the transaction. When you are determining whether a third party is involved, it is not about who "owns" the money, but rather about who gives instructions to deal with the money.

Vulnerabilities: elements of a business that could be exploited. In the ML/TF context, vulnerabilities could be weak controls within a business offering high risk products or services.

Regulatory references:

<http://laws-lois.justice.gc.ca/eng/acts/P-24.501/>

<http://laws-lois.justice.gc.ca/eng/regulations/SOR-2001-317/>

<http://laws-lois.justice.gc.ca/eng/regulations/SOR-2002-184/>

<http://laws-lois.justice.gc.ca/eng/regulations/SOR-2007-121/>

<http://laws-lois.justice.gc.ca/eng/regulations/SOR-2007-292/>

Guideline 1: Background:

<http://www.fintrac-canafe.gc.ca/publications/guide/Guide1/1-eng.asp>

Guideline 2: Suspicious transactions (includes ML/TF indicators):

<http://www.fintrac-canafe.gc.ca/publications/guide/Guide2/2-eng.asp>

Guideline 4: Implementation of a compliance regime:

<http://www.fintrac-canafe.gc.ca/publications/guide/Guide4/4-eng.asp>

Guideline 6G: Record keeping and client identification:

<http://www.fintrac-canafe.gc.ca/publications/guide/guide6/6A-eng.asp>

RBA Guidance document:

<http://www.fintrac-canafe.gc.ca/publications/rba/rba-eng.asp>

Trends in Canadian suspicious transaction reporting (STRs) – Part 1:

<http://www.fintrac-canafe.gc.ca/publications/typologies/2011-03-eng.asp>

FATF Guidance for a risk-based approach -The Insurance sector:

<http://www.fatf-gafi.org/media/fatf/documents/reports/RBA%20Guidance%20for%20Life%20Insurance%20Sector.pdf>

FATF International standards on combating money laundering and the financing of terrorism and proliferation – The FATF Recommendations:

http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF_Recommendations.pdf

FATF Combating the abuse of non-profit organizations (Recommendation 8)

<http://www.fatf-gafi.org/publications/fatfrecommendations/documents/bpp-combating-abuse-npo.html>