ATTORNEY GENERAL'S OFFICE

GUIDANCE ON THE RISK-BASED APPROACH TO THE ANTI- MONEY LAUNDERING AND TERRORISM FINANCING FRAMEWORK FOR LAW FIRMS, FOREIGN LAW FIRMS, JOINT LAW VENTURES AND FOREIGN LAWYERS.

June 2022

DISCLAIMER

The main aim of this document is to provide guidance on the approach that law firms should adopt when seeking to minimize the risks relating to money laundering and terrorism financing associated within the legal sector. This document should be read in line with the relevant Mauritian laws and regulations primarily; the *Financial Intelligence and Anti-Money Laundering Act 2002* (FIAMLA), *Financial Intelligence and Anti-Money Laundering regulations 2018* (FIAMLR), *United Nations (Financial Prohibitions, Travel Ban and Arms Embargo) Sanctions Act 2019* (UN Sanctions Act), amongst others.

ACRONYMS

AGO	Attorney General`s Office
AML/CFT	Anti-Money Laundering/ Countering the Financing of Terrorism
CDD	Customer Due Diligence
CO	Compliance Officer
DNFBPs	Designated Non-Financial Businesses and Professions
EDD	Enhanced Due Diligence
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
FATF	Financial Action Task Force
FIAMLA	Financial Intelligence and Anti-Money Laundering Act
FIAMLR	Financial Intelligence and Anti-Money Laundering Regulations
FIU	Financial Intelligence Unit
ML	Money Laundering
MLRO	Money Laundering Reporting Officer
PEP	Politically Exposed Persons
RBA	Risk-Based Approach
STR	Suspicious Transaction Report
TF	Terrorism Financing
UN Sanctions Act	United Nations (Financial Prohibitions, Travel Ban and Arms Embargo) Sanctions Act

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INTRODUCTION

The legal sector is highly exposed to ML/TF risks given that contacts are frequently made with clients having criminal records, politically exposed persons, high net worth individuals, clients from other jurisdictions, amongst others. The Financial Action Task Force (FATF) typologies provide that criminals in several jurisdictions adopt mechanisms such as; seeking services provided by law firms[1] in order to commit money laundering.[2] According to the National Risk Assessment carried out in 2019, the residual risk of the legal sector in Mauritius has been rated as medium-high for ML/TF.[3]

The FATF recommendations[4], which set out a framework designed to minimize the level of money laundering and terrorism financing, apply to law firms provided that they engage in specified activities under *First Schedule, Part 2 of FIAMLA*. Law firms should take into consideration that these specified activities are more likely to be vulnerable to ML/TF risks mainly because these involve managing client`s assets. These specified activities include:

a) buying and selling of real estate;

b) managing of client money, securities or other assets;

c) management of bank, savings or securities accounts;

d) organisation of contributions for the creation, operation or management of companies; and

e) creating, operating or management of legal persons or arrangements and buying and selling of business entities.

FATF`s Recommendation 1 requires countries to designate relevant authorities to identify and assess the relevant risks associated to money laundering and terrorism financing and also to

[1] Law Firms include Law Firms, Joint Law Ventures, Foreign Law Firms and Foreign Lawyers

[2] https://www.fatfgafi.org/media/fatf/documents/reports/ML%20and%20TF%20vulnerabilities%20legal%20professionals.pdf

[3] https://attorneygeneral.govmu.org/Documents/Law%20Firms/AMLCFTdocuments/NATIONALRISKASSESSMENTREPORT2019.PDF

[4] FATF Recommendations, Version 2012, https://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%202012.pdf

ensure that these risks are effectively managed. In this regard, FATF has recommended the adoption of a **risk-based approach (RBA)** in order to ensure that measures/controls in place to curtail the ML/TF risks are consistent and in accordance with the identified risks.

The RBA to AML/CFT means that countries, competent authorities and DNFBPs, including lawyers, notaries and other legal professionals should identify, assess and understand the ML/TF risks to which they are exposed and take the required AML/CFT measures effectively and efficiently to mitigate and manage the risks.

It is noteworthy that under *FATF Recommendation 28*, DNFBPs including law firms are also required to identify, assess and take adequate measures to mitigate their ML/TF risks. These obligations have been incorporated in the national law under ss *17* and *17A* of *FIAMLA*.

Consequently, given that the Attorney General is the regulatory body for law firms, foreign law firms, joint law ventures, foreign lawyers under the *First Schedule, Part 1 of FIAMLA*, reporting persons falling under the purview of the AGO should ensure that they comply with *ss 17*[5] *and 17A*[6] *of FIAMLA*.

[5] S.17 requires law firms to take appropriate steps to identify, assess and understand the money laundering and terrorism financing risks.

[6] S.17A requires law firms to establish policies, controls and procedures to mitigate and manage effectively the risks of money laundering and terrorism financing identified in any risk assessment undertaken by the reporting person.

IMPLEMENTATION OF A RISK-BASED APPROACH

In implementing a RBA, law firms should have in place processes to identify, assess, monitor, manage and mitigate money laundering and terrorist financing risks. In other words, law firms must ensure that they have a robust AML/CFT regime in place to adequately address the ML/TF risks identified in relation to their respective businesses.

Law firms will require proper resources and training in order to maintain a sound understanding of the ML/TF risks faced by them. Law firms also need to ensure that they have an effective system in place in relation to their services, client base and jurisdictions they operate in. As a regulatory body, the AGO has for the period of June 2020 till December 2021 conducted **nine** outreach sessions covering topics on risk-based approach and shall continue to provide outreach sessions in order to ensure that law firms properly understand how to effectively implement the RBA.

There are different steps when implementing an effective risk-based approach. The steps include identifying the inherent risk and putting proper control/measures in place to allow for a lower residual risk.

Inherent risk is the likelihood of a risk occurring before mitigating controls/measures are applied while residual risk is the outcome after proportionate measures/controls have been put in place to mitigate the identified risks.

The residual risk is obtained by determining the inherent risks associated with the business and taking into consideration the control and mitigating measures.

Steps listed below are an indication but not exhaustive -

Step 1: Identify and assess the inherent ML/TF risks that the law firms are naturally exposed to based on the sector they operate in.

Step 2: Evaluate the effectiveness and adequacy of controls/measures taken to curtail the ML/TF risks.

Step 3: Conduct on-going monitoring for instance; monitor the evolution of the ML/TF risks, monitor the implementation of controls and regularly review controls to mitigate risks.

A risk-based approach should be flexible, effective and proportionate in order to be successful in the alleviation of ML/TF risks. The RBA is a continuous process given the dynamic nature of the activities that can potentially act as an avenue for criminals operating in the ML/TF offences.

RISK IDENTIFICATION AND ASSESSMENT

Law firms should take pertinent steps to **identify and assess** inherent risks related to money laundering and terrorist financing that are likely to have an impact on them. Inherent risks are ML/TF risks intrinsic to the firm`s activities before any AML/CFT controls are applied. It is evident that the nature and extent of the risk assessment relating to money laundering and terrorist financing should be consistent with the nature, size and complexity of the firm.

Law firms can assess money laundering and terrorist financing risks based on different categories. These provide a strategy for managing potential risks by enabling law firms, where required, to subject each client to reasonable and proportionate risk assessment. Certain categories pose higher or lower risks than others.

Law firms may consider below mentioned criteria for assessing inherent risks (but are not limited to) -

1) Entity type risk:

These are the ML/TF risks associated with:

- The sector in which the law firm operates in which is the legal sector;
- Complexity of its operations;
- The firms` structure; and
- Key financial indication such as the firm`s gross revenue and liquidity position for instance, a cash intensive firm is more likely to be vulnerable to ML/TF risks.

2) Client risk: These are risks related to the law firm`s client base. Generally, law firms should assess whether particular clients represent high ML/TF risks.

Main factors in assessing level of risk associated with the client base:

■ Whether clients are legal persons or persons representing legal arrangements;

■ Whether clients are domestic or foreign;

■ Whether clients are politically exposed persons or in contact with politically exposed persons;

■ In assessing the risk profile of the client at this stage, law firms should dissect relevant targeted financial sanctions lists such as the UN Sanctions List to determine whether clients are designated and included in any of them; and

■ Whether clients` assets have been frozen under section 45 of the Dangerous Drugs Act.

The level of risks associated with clients will differ and therefore, the inherent risks of two law firms would not necessarily be similar even if both law firms have approximately the same annual turnover.

Identification of high-risk clients;

Law firms should determine whether their clients fall within the categories of high-risk clients given that the approach towards high-risk clients would be an enhanced one. The following categories would generally indicate that the client poses high ML/TF risks:

■ Clients are legal persons or persons representing legal arrangements;

■ Persons who appear on the UN Sanctions list or any domestic terrorist list pursuant to the UN Sanctions Act;

■ Persons whose assets have been frozen under section 45 of the Dangerous Drugs Act or whose assets have been temporarily or permanently confiscated under the Asset Recovery Act;

■ Clients acting on behalf of a third party; for example, a friend, relative, business

associate, or lawyer;

■ Situations where the structure or nature of the entity or relationship makes it complicated to identify, in a timely manner: -

- the true beneficial owner or;
- controlling ownership or;
- the nature of their transactions;

■ Non-face to face client;

■ Where a client is a PEP or closely associated with or related to PEPs;

■ Clients that are cash intensive businesses;

■ Clients operates or have subsidiaries in countries with high levels of corruption or that are known to be closely associated with terrorist organisations;

■ Clients who are non-profit or charitable organisations engaging in transactions for which there appears to be no logical economic purpose or where there appears to be no link between the stated activity of the organisation and the other parties in the transaction;

■ Clients` funds are evidently disproportionate to their circumstances (e.g. their age, income, occupation or wealth);

■ Clients with previous criminal records particularly relating to predicate offences such as; money laundering, terrorism amongst others;

■ Clients with previous convictions for crimes that generated proceeds, who instruct legal professionals (who in turn have knowledge of such convictions) to undertake specified activities on their behalf; and

■ Clients who have no address, or have multiple addresses without reasonable justifications.

3) Geographic risk:

Some countries/locations are more vulnerable to ML/TF risks than others.[7] These are known as high-risk jurisdictions. Consequently, law firms should assess the risks associated with the geographic location in which they operate, irrespective of whether domestic or international. Generally geographic risks may arise from the domicile of their client, the location of transactions or the source of the funds.

It is vital to carry out an assessment based on geographical risk in order to ensure that law firms do not engage in transactions emanating from high-risk jurisdictions or, if they do, they have the proper and required controls and procedures to mitigate the associated level of risk. Some countries will present more serious AML/CFT threats than others[8], and the risk level will vary depending on any of the elements of a transaction.

Generally, high-risk jurisdictions are jurisdictions that have been identified as having significant strategic deficiencies in their regimes to counter money laundering, terrorist financing, and financing of proliferation. Several factors can be taken into consideration when assessing whether a particular country or location tends to be exposed to higher ML/TF risks.

Based on FATF`S guidance, circumstances where a country would be categorised as high-risk include[9]:

■ Where countries/areas are identified by credible sources as providing finance for terrorist activities or are closely associated with designated terrorist organisations;

■ Where countries are identified by credible sources as having high rates of corruption, or other criminal activity related to laundering of money;

■ Where countries are subject to sanctions, embargoes or similar measures imposed by international bodies such as the United Nations;

■ Where countries are identified by credible sources as having fragile or ineffective law enforcement, and regulatory regimes (especially those having a weak AML/CFT regime); and

[7] http://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/increased-monitoring-march-2022.html
[8] Subject to its classification as high risk countries by FATF.
[9] http://www.fatf-gafi.org/media/fatf/documents/reports/Risk-Based-Approach-Legal-Professionals.pdf

■ Where countries are identified by credible sources as being unsupportive in the provision of beneficial ownership information to relevant regulatory authorities.

4) Services and Transaction risk:

An essential element of an overall risk assessment is to review new and existing services as well as transactions offered by law firms. This enable the law firms to determine the level of ML/TF risks related to the services and transactions being offered by the law firm.

Services or transactions retaining high level of ML/TF risks would include:

■ Services which involve activities categorised as prescribed under *FIAMLA*:

- Real estate transactions;

- managing of client money, securities or other assets;

- management of bank, savings or securities accounts;

- organisation of contributions for the creation, operation or management of companies;

- creating, operating or management of legal persons or arrangements[10]; and

- buying and selling of business entities.

■ Services where legal professionals, act as financial intermediaries, manage the

receipt and transmission of funds through accounts they control in the act of facilitating a

business transaction;

■ Services where the clients request financial transactions to be performed outside the account held by the legal professional for the client (trust account);

■ Services that are capable of concealing beneficial ownership from regulatory authorities;

[10] creating, operating or management of legal persons such as a company, a foundation, an association, a limited liability partnership or such other entity as may be prescribed, or legal arrangements, and buying and selling of business entities

■ Cash payments received from unknown third parties where this would not be a regular form of payment;

■ Transactions where it is obvious to the legal professional that there is inadequate consideration, primarily where the client does not provide legitimate reasons for the amount of the consideration;

■ The use of shell companies, companies with ownership through nominee shares or bearer shares and control through nominee and corporate directors without apparent legal, tax, business, economic or other legitimate reasons;

■ Situations where advice on the setting up of legal arrangements may be misused to obscure ownership or real economic purpose (including setting up of trusts, companies or changes of name/corporate seat or on establishing complex group structures);

■ Services that have deliberately provided, or depend upon, more anonymity in relation to the client's identity or regarding other participants, than is normal under the circumstances and in the experience of the legal professional;

■ Settlement of default judgments or alternative dispute resolutions is made in an atypical manner (e.g. if satisfaction of a settlement or judgment debt is made too readily);

■ Services that rely massively on new technologies (e.g. in relation to virtual assets);

■ Transfer of real estate or other high valued assets between parties in a period of time that is uncommonly short for such transactions;

■ Acquisitions of businesses in liquidation with no apparent legal, tax, economic or other justifiable reason; and

■ Situations where a nominee is being used with no apparent legal, tax, business, economic or other legitimate reason. For instance; a family member is named as shareholder of a company where it is clear that the latter is receiving instructions from the beneficial owner.

5) Delivery channel risk:

As part of the risk assessment, law firms should also assess the risks associated with the channels used to deliver services to its clients.

In this dynamic market, the number of non-face-to-face clients are increasing due to the worldwide use of telephone, mail and internet. In the event where non-face-to-face clients are onboarded, law firms have to be aware that the ML/TF risks are higher. Law firms should therefore, take steps to avoid promoting the anonymousness of clients.

The mode of payments accepted should also be assessed. Some forms of payments including payments through precious metals and stones or high volume of cash transactions could indicate higher ML/TF risks.

The examination of delivery channels should also include conducting a risk assessment of any new technologies (e.g. internet-based services) that law firms are planning to implement. The risk assessment should be conducted prior to the new technology being implemented.

A more comprehensive list of the ML/TF risks associated to law firms can be found in the FATF`s Guidance on a risk-based approach for legal professionals.[11]

In addition to the obligation of performing risk assessment, law firms should also properly document and regularly update the risk assessment conducted. Furthermore, law firms must ensure that they have proper procedures in place to be able to provide any risk assessment information to their regulatory body (AGO), as and when required by same.

[11] https://www.fatf-gafi.org/media/fatf/documents/reports/Risk-Based-Approach-Legal-Professionals.pdf

RISK MANAGEMENT AND MITIGATION

A risk assessment will allow law firms to determine and apply appropriate, effective and proportionate policies, procedures and controls in order to manage and efficiently mitigate[12] the identified ML/TF risks. *S17A of FIAMLA* provides that

"(1) Every reporting person shall –

(a) establish policies, controls and procedures to mitigate and manage effectively the risks of money laundering and terrorism financing identified in any risk assessment undertaken by the reporting person under *section 17*;

(b) monitor the implementation of, regularly review, update and, where necessary, enhance the, policies, controls and procedures established under paragraph (a);"

The development of a robust AML/CFT program is an indispensable element of risk mitigation. Law firms should assess the adequacy of any systems, controls and processes on a periodic basis. The risk mitigation strategies should be properly documented and should be shared to employees and senior management. These strategies should be reviewed whenever the risk assessment is updated.

Generally, where higher risks are identified, law firms should adopt enhanced controls and measures to mitigate the risks.

Although not exhaustive, an effective AML/CFT program must include -

- Appointment of key officers

Pursuant to *regulation 22(1)(a) of FIAMLR*, law firms must designate a compliance officer (CO) at senior management level. The CO shall be responsible for the implementation and ongoing compliance of the law firm with regards to the internal controls as well as the relevant acts and regulations.

[12] The term 'mitigate' in this context means reducing the seriousness or extent of ML/TF risks.

Moreover, law firms are also required as per *regulation 26(1) of FIAMLR* to appoint a money laundering reporting officer (MLRO). An internal report shall be submitted to the MLRO if any person in the law firm, handling a transaction, highlights particular information which might give the latter reasonable suspicion of money laundering or terrorism financing.

- Screening of employees

As per *regulation 22(1)(b) of FIAMLR*, law firms must implement screening procedures to ensure that high standards are maintained when hiring employees. For instance; before hiring employees, relevant documents such as; certificate of character and employer references need to be verified.

Additionally, screening for employees also include verification against the UN sanctions list.

- Ongoing Training

Law firms are required under *regulation 22(1)(c) of FIAMLR* to have in place an ongoing training programme for the directors, officers and employees in order to raise and maintain awareness of the laws and regulations related to money laundering and terrorism financing. This obligation is in addition to the outreach sessions provided by the regulatory body.

- Independent Audit

Pursuant to *regulation 22(1)(d)*, a law firm`s AML/CFT program must be monitored and reviewed. As per the Guidelines issued by the AGO, law firms should carry out the independent audit on a yearly basis.[13] An independent audit would assess the effectiveness of the measures put in place in accordance with the relevant Acts and Regulations.

The audit can be conducted by an internal or external auditor. If the law firm does not have an auditor, it can conduct a self-review. The self-review should be conducted by an individual who is independent of the compliance-monitoring functions of the firm.[14]

[13] https://attorneygeneral.govmu.org/Documents/Law%20Firms/AMLCFTdocuments/LEGALPROFESSIONALSGUIDELINES%2012.01.2022.pdf

[14] https://attorneygeneral.govmu.org/Documents/Law%20Firms/AMLCFTdocuments/LEGALPROFESSIONALSGUIDELINES%2012.01.2022.pdf

- Customer due diligence requirements

Pursuant to *s17C FIAMLA* and *regulation 3 of FIAMLR*, law firms should undertake Customer Due Diligence (CDD) measures by identifying and verifying the true identity of their clients using reliable independent sources documents, or any electronic identification process.

CDD is at the centre of the AML/CFT framework which allows law firms to know their clients, compile a profile and detect unusual activities. All these will therefore, contribute in mitigating ML/TF risks.

Generally, a client base may consist of natural persons (i.e individuals) and legal persons (i.e corporate bodies). While the CDD process is more explicit for natural persons, a higher degree of scrutiny is required for legal persons.

Corporate vehicles are susceptible to misuse, for money laundering or facilitating money laundering Therefore, law firms are required to ascertain who are the beneficial owner(s) by obtaining information on their identity. The beneficial owner is the natural person who owns or controls the client, legal person or legal arrangement. *Regulations 4-7 of FIAMLR* should be consulted to determine what specific information should be collected. In practice, the verification of beneficial ownership or Ultimate beneficial ownership must be made with the Registrar of Companies (ROC).

As per *regulation 12 of FIAMLR*, where law firms identify high ML/TF risks in relation to their clients, transactions, delivery channels and geographic operations, enhanced due diligence (EDD) measures must be adopted rather than a routine CDD. For instance; dealing with PEPs would require law firms to undertake enhanced due diligence as the risk associated with these types of clients are higher.

It is highlighted here that failure to conduct CDD amounts to a criminal offence under *s19 of FIAMLA*.

- Reporting of Suspicious Transactions.

According to *s14 of FIAMLA*, as soon as law firms become aware of suspicious transactions which may include but is not limited to laundering of money, or terrorism financing or proliferation financing, they must make a report, to the FIU, not later than **5 working days** after the suspicion arises.

- Record Keeping

Pursuant to *s17F of FIAMLA*, law firms have an obligation of maintaining appropriate records of all transactions and clients such as; records obtained through CDD, records of completed transactions as well as copies of STR filed with the FIU. These abovementioned records must be kept for a period of at least of **7 years**.

- Terrorism Financing Obligations

According to the *UN Sanction Act*, law firms have several obligations including:

S.23	Prohibition to deal with funds or the assets of designated party or listed party.
S.24	Prohibition of making funds or other assets available to designated party or listed party.
S.25(1)	Sanctions Screening – verify whether the details of any designated party or listed party match with the particulars of any customer and if so, identify whether the customer has funds or other assets in Mauritius.
S.25(2)(a)	If there is a positive match, make a report to the National Sanctions Secretariat (NSS) where funds or other assets or no funds or other assets are identified by the law firm.
S25(2)(b)	If there is a positive match, submit a report to the relevant supervisory authority (AGO) also.
S39	Reporting of suspicious information - Any information related to a designated party or listed party which is known to a reporting person, shall be immediately submitted by the reporting person to FIU in accordance with *section 14* of the *Financial Intelligence and Anti-Money Laundering Act*.
S41	Internal control- A reporting person shall implement internal controls and other procedures to enable it to effectively comply with their obligations under the *UN Sanctions Act*.

RISK MONITORING

Risk Monitoring is the third stage of a risk-based approach whereby law firms are required to put in place policies, procedures and information systems to monitor changes to risks.

Law firms must review and monitor their internal risks assessment to identify and assess whether there have been significant changes in the ML/TF threats posed to them which would entail necessary amendments to their policies, procedures and controls.

On-going monitoring of financial transactions should also be carried out. The level of monitoring should be based on the level of identified ML/TF risks. Additionally, the policies, controls and procedures manual should describe the frequency at which the monitoring will be carried out, how it will be reviewed, and also how it will consistently be applied.

Key components of ongoing monitoring would include:

- Keeping necessary records;
- Report suspicious transactions; and
- Reporting to senior management.

RISK-BASED SUPERVISION

From a supervisory perspective, an effective risk-based supervisory framework is adopted whereby, the supervisor identifies, assesses and understands the ML/TF risks within the sector and mitigates them effectively on a continuing basis. Therefore, the AGO has to assess the relevant ML/TF risks associated with its licensees.

In this context, a statistical questionnaire (SQ) is sent to all licensees at the beginning of each supervisory cycle in order to collect information to ascertain the inherent vulnerability associated with the licensees. These information include; the firm`s structure, financial data such as gross revenue and the clients, services, delivery channels and geographical risk as well as the mitigation controls adopted by the law firm.

Part II of the SQ relates to 'Engaging in Prescribed Activities' includes the list of prescribed activities provided in *Part 2* of *First Schedule of FIAMLA*. Law firms must complete this part to determine whether they engage in prescribed activities or not. It is extremely important that law firms fill in the SQ properly and provide same within the requested timeframe as these details enable the AGO to assess the inherent risk of the law firms and to finalise its supervisory plan. Failure to do so would amount to an offence under *s19FA of FIAMLA*. An extract of the law is provided below:

"(1) Any regulatory body may require such information as it may determine from any member of a relevant profession or occupation and the person listed in the first column of Part 1 of the First Schedule and the person shall, within such time as the regulatory body may determine, provide such information.

(2) Any person who fails to provide any information under subsection (1) shall commit an offence and shall, on conviction, be liable to a fine not exceeding one million rupees and to imprisonment for a term not exceeding 5 years."

The information collected through the statistical questionnaire is entered in the supervisory risk database (risk matrix) which serves as a tool to determine the risk rating of law firms based on their ML/TF inherent risk and mitigation controls. This allows AGO to determine a firm's overall ML/TF risks known as **residual risk**. The inspections are then planned accordingly.

A risk matrix is usually not static and is recalibrated from time to time, for instance; upon verification of relevant documentation and procedures during on-site inspections.

PRACTICAL EXAMPLE OF RISK MATRIX

Illustrative example 1

Suppose a law firm submits the following information in the statistical questionnaire:

Dealing with clients (individuals) from high-risk jurisdictions	YES
Dealing with PEPs	YES
Have you conducted CDD	YES
Do you conduct EDD in higher risk situations	NO

Figure 1.1

RISK MATRIX

CLIENT RESIDUAL RISK RATING		MITIGATION MEASURES		
		HIGH	**MODERATE**	LOW
CLIENT INHERENT RISK RATING	HIGH	LOW	MEDIUM	HIGH
	MEDIUM	LOW	LOW	MEDIUM
	LOW	LOW	LOW	LOW

Figure 1.2

As per the above matrix, the client inherent risk is likely to be **high** as the law firm deals with clients from high-risk jurisdictions and PEPs. However, instead of adopting EDD measures, simple CDD measures have been adopted which implies that the level of mitigation is **low**. Eventually, the client residual risk rating is likely to be HIGH (highlighted in yellow).

Illustrative example 2

Suppose a law firm submits the following information in the statistical questionnaire.

TYPES OF PAYMENT ACCEPTED:	CASH
HAVE YOU ESTABLISHED MECHANISMS TO IDENTIFY STRs	YES

Figure 2.1

RISK MATRIX

CHANNEL OF DELIVERY RESIDUAL RISK RATING		MITIGATION MEASURES		
		HIGH	**MODERATE**	**LOW**
INHERENT RISK RATING	HIGH	LOW	MEDIUM	HIGH
	MEDIUM	LOW	LOW	MEDIUM
	LOW	LOW	LOW	LOW

Figure 2.2

As per the above matrix, the inherent risk is likely to be **high** given that the law firm accepts payment by cash which generally involve higher ML/TF risks. However, the law firm has established mechanisms to identify suspicious transactions which signifies a **high** level of compliance. Eventually, the channel of delivery residual risk rating is likely to be LOW (highlighted in green).

THEMATIC /TARGETED INSPECTIONS

Thematic supervision simply refers to a situation where AGO selects a specific risk area and reporting entities are then subjected to offsite monitoring or onsite inspections based on that specific area. The risk areas can be selected based on the trend analysis or based on the results of previous inspections.

CONCLUSION

The Attorney General`s Office, as a regulatory body, remains relentless in providing appropriate guidance to ensure that law firms remain compliant with relevant AML/CFT laws and regulations. AGO wished to extend its appreciation to law firms which have been very collaborative and the AGO looks forward to more collaboration and cooperation.