
ESAs 2016 72

07/04/2017

Joint Guidelines

on the characteristics of a risk-based approach to anti-money laundering and terrorist financing supervision, and the steps to be taken when conducting supervision on a risk-sensitive basis

The Risk-Based Supervision Guidelines

1. Joint Guidelines on the characteristics of a risk-based approach to anti-money laundering and terrorist financing supervision, and the steps to be taken when conducting supervision on a risk-sensitive basis

The Risk-Based Supervision Guidelines

Status of these Guidelines

This document contains Joint Guidelines issued pursuant to Articles 16 and 56 subparagraph 1 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC; Regulation (EU) No 1094/2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority); and Regulation (EU) No 1095/2010 establishing a European Supervisory Authority (European Securities and Markets Authority)) - ‘the ESAs’ Regulations’. In accordance with Article 16(3) of the ESAs’ Regulations, competent authorities and financial institutions must make every effort to comply with the Guidelines.

Joint Guidelines set out the ESAs’ view of appropriate supervisory practices within the European System of Financial Supervision or of how Union law should be applied in a particular area. Competent authorities to whom Joint Guidelines apply should comply by incorporating them into their supervisory practices as appropriate (e.g. by amending their legal framework or their supervisory processes), including where the Joint Guidelines are directed primarily at institutions.

Reporting Requirements

In accordance with Article 16(3) of the ESAs’ Regulations, competent authorities must notify the respective ESA whether they comply or intend to comply with these guidelines, or otherwise with reasons for non-compliance, by 07.06.2017 [two months after issuance]. In the absence of any notification by this deadline, competent authorities will be considered by the respective ESA to be non-compliant. Notifications should be sent by submitting the form provided at Section 5 to [compliance@eba.europa.eu, jc_compliance@eiopa.europa.eu and compliance.jointcommittee@esma.europa.eu] with the reference ‘ESAs 2016 72’. Notifications should be submitted by persons with appropriate authority to report compliance on behalf of their competent authorities.



JOINT COMMITTEE OF THE EUROPEAN
SUPERVISORY AUTHORITIES

Notifications will be published on the ESAs' websites, in line with Article 16(3).

Title I - Subject matter, scope and definitions

Subject matter

1. These guidelines set out the characteristics of a risk-based approach to anti-money laundering and countering the financing of terrorism (AML/CFT) supervision and the steps competent authorities should take when conducting supervision on a risk-sensitive basis as required by Article 48(10) of Directive (EU) 2015/849¹.

Scope

2. These guidelines are addressed to competent authorities as defined in Articles 4(2)(ii) of Regulation (EU) No 1093/2010, 4(2)(ii) of Regulation (EU) No 1094/2010 and 4(3)(ii) of Regulation 1095/2010.
3. Competent authorities should apply these guidelines when designing, implementing, revising and enhancing their own AML/CFT RBS model.

Definitions

4. For the purpose of these Guidelines, the following definitions shall apply:
 - Cluster Means a group of subjects of assessment having similar characteristics.
 - Competent authorities Means the authorities competent for ensuring firms' compliance with the requirements of Directive (EU) 2015/849 as transposed by national legislation.²
 - Firm Means a credit institution or a financial institution as defined in Article 3(1) and (2) of Directive (EU) 2015/849.
 - Inherent money laundering/terrorist financing ('ML/TF') risk Means the level of money laundering and terrorist financing risk before mitigation.
 - Risk-based approach (RBA) Means an approach whereby competent authorities and obliged entities identify, assess and understand the ML/TF risks to which subjects of assessment are exposed and take AML/CFT measures that are proportionate to those risks

¹ Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC (OJ L 141, 5.6.2015, p.73).

² See Articles 4(2)(ii) of REGULATION (EU) No 1093/2010, 4(2)(ii) of Regulation (EU) No 1094/2010 and 4(3)(ii) of Regulation 1095/2010

- Risk-based AML/CFT Supervision (RBS) Means the risk based approach to AML/CFT supervision referred to in Article 48(6) of Directive (EU) 2015/849, where the intensity and frequency of the AML/CFT supervision of firms are determined on the basis of the assessment of the ML/TF risks affecting these firms.
- RBS Model Refers to the whole set of procedures, processes, mechanisms and practicalities allowing competent authorities to exercise their AML/CFT supervisory powers in a way that is commensurate with the identified ML/TF risks.
- ML/TF Risk Means the likelihood and impact of ML/TF taking place. Risk refers to inherent risk.
- ML/TF risk factors Means variables that, either on their own or in combination, may increase or decrease ML/TF risk.
- Risk profile Means the overall characteristics (including type and level) of risk that remains after mitigation.
- Subject of assessment Means any sectors or sub-sector of the financial system, a firm, group or cluster, categorised according to criteria laid down by the competent authorities.
- Threat Means the potential harm caused by a person or group of people, object or activity. In the ML/TF context, this includes the potential harm caused by criminals, terrorist groups and their facilitators, their funds, as well as past, present and future ML or TF activities.

Title II - Requirements regarding AML/CFT risk-based supervision

Implementing the RBS model

General considerations

5. Competent authorities should apply the following four steps as part of an effective AML/CFT RBS model:
 - i. Step 1 – Identification of ML/TF risk factors;
 - ii. Step 2 – Risk assessment;
 - iii. Step 3 – Supervision; and
 - iv. Step 4 – Monitoring, review and follow-up.
6. Competent authorities should note that the RBS is not a one-off exercise, but an ongoing and cyclical process.
7. Competent authorities may group firms that do not belong to the same financial group but share similar characteristics into 'clusters' and consider them as a single 'subject of assessment'. Examples of characteristics firms within one cluster might share include their size, the nature of their business, the type of customers serviced, their geographic areas or activity and their delivery channels. In that case, some elements of the RBS process may be carried out at the collective level of the cluster itself, rather than at the level of each individual firm within that cluster.
8. Competent authorities who cluster firms should ensure that the conditions and practicalities of the clustering are appropriate to the ML/TF risks associated with firms in that cluster. Competent authorities should not normally cluster groups, but instead treat firms that form part of the same financial group as one 'subject of assessment'.
9. Should a competent authority know, or have reasonable grounds to suspect, that the risk associated with an individual firm in a cluster varies significantly from that associated with other firms in the cluster, for example because the firm is beneficially owned by individuals whose integrity is in doubt, or because the firm's internal control framework is deficient, the competent authority should remove that firm from the cluster and assess it either individually, or as part of a cluster of firms with a similar risk level.

Proportionality

10. Competent authorities should be proportionate in their supervision of subjects of assessment for AML/CFT purposes. The extent of information sought, and the frequency and intensity of supervisory engagement and dialogue with a firm should take into account the nature and size of the firm and be commensurate with the ML/TF risk identified.
11. Competent authorities should recognise that the size or systemic importance of a firm may not, by itself, be indicative of the extent to which it is exposed to ML/TF risk; small firms that are not systemically important can nevertheless pose a high ML/TF risk.

Cooperation with other competent authorities

12. Within the remit of their national legislation, competent authorities should cooperate and exchange all relevant information without delay to ensure the effective AML/CFT supervision of subjects of assessment. Where subjects of assessment operate on a cross-border basis, such cooperation should extend to competent authorities of other Member States and where relevant, competent authorities of third countries.
13. Competent authorities should apply all cooperation and coordination measures and tools at their disposal, including those implemented by their Member States pursuant to Article 48 (4), Article 48(5) and Article 49 of Directive (EU) 2015/849.

Step 1: Identification of ML/TF risk factors

General considerations

14. When applying a RBS model, competent authorities should firstly identify the risk factors that will affect the ML/TF risks to which the subject of assessment is exposed.
15. The extent and type of information sought should be proportionate to the nature and size of the subject of assessment's business. It should also take into account its risk profile as determined on the basis of previous risk assessments, if any, and the context in which the subject of assessment operates, such as the nature of the sector to which the subject of assessment belongs. Competent authorities should consider setting out what information they will always require, require similar information for comparable subjects of assessment and consider what type of information will trigger a more extensive and in-depth information request.
16. When identifying ML/TF risk factors, competent authorities should draw on the Joint Guidelines under Article 17 and 18(4) of Directive (EU) 2015/849 on simplified and enhanced customer due diligence and the factors credit and financial institutions should consider when assessing the ML/TF risk associated with individual business relationships and occasional transactions.

Sources of information

17. Where possible, competent authorities should identify risk factors based on information from a variety of sources. Competent authorities should determine the type and number of these sources on a risk-sensitive basis. Competent authorities should ensure that they have access to appropriate sources of information and take steps, where necessary, to improve these.
18. Competent authorities should always consider:
 - The European Commission's supranational risk assessment;
 - The ESAs' Opinion on the ML/TF risk affecting the financial market;
 - Information from the national government and foreign governments where relevant, such as the national risk assessment (NRA);
 - Information from supervisors such as guidance, and relevant findings from supervisory action, such as notes for record, information gathered as part of the authorisation, licensing or passporting process, onsite visits, offsite controls and enforcement action.

Where relevant information is held by other competent authorities either at home or abroad, competent authorities should take steps to ensure that gateways make possible the exchange of that information, and that this information can be exchanged in a timely manner. This also applies to information held by the European Central Bank through the Single Supervisory Mechanism;

- Delegated Acts adopted by the European Commission pursuant to Article 9(2) of Directive (EU) 2015/849; and
 - Information from Financial Intelligence Units (FIUs) and law enforcement agencies, such as threat reports, alerts and typologies.
19. Other sources of information competent authorities may consider include
- Information from industry bodies, such as typologies and information on emerging risks;
 - Information from civil society, such as corruption perception indices;
 - Information from international standard-setting bodies such as mutual evaluations of countries' AML/CFT, anti-corruption and tax regimes;
 - Public information sources, such as newspaper reports;
 - Information from commercial organisations, such as risk and intelligence reports; and
 - Information from academic institutions.

Domestic risk factors

20. Competent authorities should have adequate knowledge, awareness and understanding of the ML/TF risks identified at the national level in order to identify the ML/TF risk factors associated with the domestic financial activities of subjects of assessment.
21. As part of this, and based on the sources described in paragraphs 17-19, competent authorities should understand, among other things:
- The type and scale of money laundering linked to predicate offences committed domestically;
 - The scale of laundering of proceeds from predicate offences committed abroad;
 - The scale of, and the level of support for, terrorist activities and groups in the country;
 - Relevant ML/TF typologies identified by the FIU and other public authorities or private entities.

Foreign risk factors

22. Where a subject of assessment maintains significant links with other Member States or third countries so that subjects of assessment are exposed to ML/TF risks associated with these other countries, competent authorities should identify these risks. Significant links include those where:
- A firm maintains significant business relationships with counterparties established in other Member States or third countries;
 - A firm forms part of a financial group established in another Member State or third country;

- A firm's beneficial owners are based in another Member State or third country; and
 - Any other relevant links to another Member State or third country exist, which means that the firm is exposed to the ML/TF risk associated with that country.
23. Competent authorities should take reasonable steps to acquire adequate knowledge, awareness and understanding of the ML/TF risks associated with these Member States or third countries that may affect the activities carried out by the subjects of assessment. To this end, competent authorities should identify risk factors in line with those described in paragraphs 20 to 21 for each of these Member States or third countries.
24. When identifying third countries which have strategic deficiencies in their national AML/CFT regimes that pose significant threats to the financial system of the European Union, competent authorities should have regard to the delegated acts adopted by the European Commission in accordance with Article 9(2) of Directive (EU) 2015/849 as well as public statements issued by relevant international standard-setters, including the Financial Action Task Force (FATF), MoneyVal or other FATF-Style Regional Bodies.

Sector-wide ML/TF risk factors

25. Competent authorities should have a good understanding of the risk factors that are relevant for each financial sector and sub-sector, such as credit institutions, brokerage firms, investment firms, payment institutions, electronic money institutions, bureaux de change or life insurance companies. As part of this, competent authorities should understand how each sub-sector is organised, and the risks associated with shared features such as the type of products and services offered, the delivery channels used and the type of customers they service.
26. Competent authorities should base their understanding of the sectoral and sub-sectoral risk factors on a high-level view of all the information obtained from firms in a particular financial sector or sub-sector about the ML/TF risks they face. Competent authorities can then identify commonalities within each financial sub-sector and the financial sector as a whole.

Information on ML/TF risk factors at the level of the subject of assessment

27. Competent authorities should gather sufficient, relevant and reliable information to develop an overall understanding of the subject of assessment's:
- Inherent ML/TF risk factors, and
 - Factors that mitigate inherent ML/TF risk.
28. Where the subject of assessment is a firm, competent authorities should for this purpose obtain information which should include, but will not be restricted to:
- The ownership and corporate structure, taking into account whether the subject of assessment is an international, foreign or domestic institution, parent company, subsidiary, branch or other kind of establishment, and the level of complexity and transparency of its organisation and structure.
 - The reputation and integrity of senior managers, members of the management body

- and significant shareholders;
- The nature and complexity of the products and services provided and the activities and transactions carried out;
 - The delivery channels used, including the free provisions of services and the use of agents or intermediaries;
 - The types of customers serviced;
 - The geographical area of the business activities, in particular where they are carried out in high-risk third countries³, as well as, if applicable, the countries of origin or establishment of a significant part of the subject of assessment's customers.
 - The quality of internal governance arrangements and structures, including the adequacy and effectiveness of internal audit and compliance functions, the level of compliance with AML/CFT legal and regulatory requirements and the effectiveness of the AML/CFT policies and procedures to the extent that these are already known.
 - The prevailing 'corporate culture', particularly the 'compliance culture' and the culture of transparency and trust in relations with the competent authorities.
 - Other prudential and general aspects, such as years in operation, liquidity or capital adequacy.
29. This information may originate from the overall prudential and/or conduct supervision and take into account, where relevant, prudential information obtained in the context of the Single Supervisory Mechanism⁴. However, it may be appropriate to collect such information specifically if it is not already held on the competent authorities' records.
30. Where subjects of assessment are clusters of individual firms, competent authorities should identify relevant factors based on those listed in paragraph 27 to characterise the cluster as a whole. This should enable competent authorities to justify their decisions on the risk profile they assign to the cluster. Competent authorities should also consider the results of previous supervisory actions in respect of firms included within that cluster.

³ For information on factors to consider when assessing the ML/TF risk associated with jurisdictions, please refer to the Joint Guidelines under Article 17 and 18(4) of Directive (EU) 2015/849 on simplified and enhanced customer due diligence and the factors credit and financial institutions should consider when assessing the money laundering and terrorist financing risk associated with individual business relationships and occasional transactions.

⁴ See Article 6 of the Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ L 287, 29.10.2013, p.63).

Step 2: Risk assessment

31. Competent authorities should take a holistic view of the ML/TF risk factors they have identified under Step 1 that, together, will form the basis for the subject of assessment's risk assessment.
32. As part of this, competent authorities should assess the extent to which the inherent risk factors identified under Step 1 affect the subject of assessment, and the extent to which the AML/CFT systems and controls which the subject of assessment has in place are adequate to effectively mitigate the inherent ML/TF risks it is exposed to. AML/CTF systems and controls include at least those listed in Article 8(4) of Directive (EU) 2015/849, certain product design features limiting ML/TF exposure, as well as wider governance arrangements and risk management processes, including overall risk culture.

Weighting inherent risk factors and mitigating factors

33. Competent authorities may decide to weight risk factors and mitigating factors differently, depending on their relative importance.
34. When weighting inherent risk factors and mitigating factors, competent authorities should make an informed judgement about the relevance of different factors in relation to a specific subject of assessment. The weight given to individual factors can vary from one subject of assessment to another, but competent authorities should use similar factors for similar subjects of assessment.
35. Competent authorities should ensure that weighting is not unduly influenced by just one factor and that due consideration is given to factors that are identified by Directive (EU) 2015/849 or national legislation as always presenting a high money laundering or terrorist financing risk.
36. Substantial deficiencies with the potential severely to affect the effectiveness of AML/CFT preventive measures should be given greater weight in the assessment than average or minor deficiencies.

Risk profiles and categorising subjects of assessment

37. The combination of the assessment of the inherent risk level and the effect of risk mitigants on the inherent risk level should result in the assignment of an overall risk profile to the subject of assessment to facilitate comparison between subjects of assessment and to inform the action they take in Step 3. Competent authorities should use their professional judgement to validate the results of the overall risk assessment and correct it if necessary.
38. Competent authorities should decide on the most appropriate way to categorise the risk profiles of subjects of assessment; although many competent authorities classify subjects of assessment as high, medium or low risk, other categorisations, for example high, medium high, medium low, low, are also possible.

39. Competent authorities should consider sharing their categorisation, and the reasons for this categorisation, with their subjects of assessment.
40. Competent authorities should note that the categorisation of subjects of assessment for ML/TF risk purposes may be different from categories applied to the same subjects of assessment for wider conduct risk or prudential risk purposes.

Step 3: Supervision

41. The risk assessment should form the basis for the development of a supervisory strategy for each subject of assessment and for the supervised sector as a whole.

Individual AML/CFT supervisory plans

42. Competent authorities should allocate supervisory resources to each subject of assessment in a way that is commensurate with the subject of assessment's risk profile
43. Examples of ways in which competent authorities can adjust their approach include:
 - Adjusting the nature of supervision, for example, by adjusting the ratio between off-site and on-site supervision. Competent authorities should note that off-site supervision alone is unlikely to be sufficient in higher risk situations;
 - Adjusting the focus of supervision, for example by focusing on the management of risks associated with particular products or services, or on specific aspects of the AML/CFT processes such as customer identification, risk assessment, ongoing monitoring and reporting activities;
 - Adjusting the frequency of supervision, for example by monitoring key indicators less often where the risks are reduced; and
 - Adjusting the intensity and intrusiveness of supervision, for example by determining, according to risk, the extent of customer file reviews, sample testing of transactions and suspicious transactions reports conducted on-site. Competent authorities should note that a review based only on an assessment of policies and procedures, rather than on their implementation, is unlikely to be sufficient in higher risk situations.
44. Competent authorities should ensure that subjects of assessment associated with higher ML/TF risks are subject to more frequent and intrusive supervision. This also applies where firms have been included within a cluster for risk assessment purposes.
45. Competent authorities should recognise that firms exposed to high levels of ML/TF risk may not be systemically important. Therefore, when deciding on the most appropriate AML/CFT supervisory action, competent authorities should not rely solely on their prudential or conduct risk assessments, nor should they consider only systemically important firms. Competent authorities should note that it may not be appropriate to draw conclusions, for AML/CFT supervisory purposes, from the level of prudential or conduct risk, be it high or low.
46. If a new risk is identified in the course of on-site or off-site supervision, competent authorities should respond in an appropriate and timely fashion. This may include amending the initial AML/CFT supervisory plan to better reflect the ML/TF risks to which the subjects of assessment are exposed. Competent authorities should adequately document any changes to the AML/CFT supervisory plan.

Overall AML/CFT supervisory plan

47. Competent authorities should use their risk assessments of subjects of assessment as well as their wider understanding of the ML/TF risk to which their sector is exposed to assess the extent to which this poses a risk to their objectives, and allocate supervisory resources to AML/CFT supervision accordingly. Competent authorities should then decide on an overall supervisory strategy.
48. Competent authorities should ensure that sufficient resources are available to implement the supervisory strategy for all obliged entities.
49. In order to ensure the balance between all individual AML/CFT supervisory plans established in accordance with the previous paragraphs, competent authorities should coordinate them within the overall AML/CFT supervisory plan that should be consistent with the overall identified ML/TF risks.

Training

50. Competent authorities should ensure that staff with direct or indirect AML/CFT responsibilities have appropriate knowledge and understanding of the applicable legal and regulatory AML/CFT framework and are suitably qualified and trained to exercise sound judgement.
51. As part of this, competent authorities should train their supervisors in the practical application of their AML/CFT RBS model so that supervisors are able to carry out risk-based AML/CFT supervision in an effective and consistent manner. Among other things, competent authorities should ensure that supervisors are able to:
 - Understand a subject of assessment's degree of discretion in assessing and mitigating ML/TF risks;
 - Assess the quality of a subject of assessment's risk assessment; and
 - Assess the adequacy, proportionality and effectiveness of the subject of assessment's AML/CFT policies and procedures and wider governance arrangements and internal controls in light of the subject of assessment's own risk assessment.
52. Training should be tailored to the AML/CFT responsibilities of relevant staff and may include training courses, recruitment and 'learning by doing'. Competent authorities may also benefit from knowledge sharing among competent authorities and other relevant AML/CFT authorities.
53. Competent authorities should ensure staff's AML/CFT expertise remains up to date and relevant, and includes awareness of emerging risks as appropriate.

Step 4: Monitoring and follow-up actions

Updating the risk assessment and supervisory action plan (Steps 1, 2 and 3)

54. Since the RBS is not a one-off exercise, but an ongoing and cyclical process, the information on which the risk assessment is based should be reviewed periodically and on an ad hoc basis, and updated as necessary.

Periodic reviews

55. Competent authorities should carry out periodic reviews of their risk assessments to ensure that they remain up to date and relevant.
56. The schedule of each review should be commensurate with the ML/TF risk associated with the subject of assessment. For high-risk subjects of assessment or those facing frequent changes in their activities and operating in a fast changing environment, reviews should take place more frequently.

Ad hoc reviews

57. Ad hoc reviews of the risk factors, the risk assessment and, where necessary, the supervisory plans should take place following significant changes affecting the subject of assessment's risk profile. Examples of significant changes include:
- Major external events that change the nature of risks;
 - Emerging ML/TF risks;
 - Findings from off-site and on-site supervision and any follow-up of corrective or remedial actions taken by the subject of assessment;
 - Changes to, or new information emerging in relation to, owners of qualifying holdings, members of the management board or key function holders operations or the organisation of the subject of assessment; and
 - Other situations where the competent authority has grounds to believe that information on which it had based its risk assessment is no longer relevant or has significant shortcomings
58. Competent authorities should also consider whether changes affecting one particular subject of assessment might affect other subjects of assessment, and they should also renew the risk assessment process of other significantly affected subjects of assessment.

Review of the AML/CFT RBS model

59. Competent authorities should seek to satisfy themselves that their internal procedures, including their ML/TF risk assessment methodology, are applied consistently and effectively.
60. Where a review identifies issues with the AMF/CFT RBS model, competent authorities should take steps to address these. Ideally, the model should not be changed repeatedly within

short time intervals, to facilitate comparisons over time. This notwithstanding, competent authorities should review the methodology immediately where necessary.

Periodic reviews

61. Competent authorities should periodically review whether their AML/CFT RBS model delivers the intended outcome and, in particular, whether the level of supervisory resources remains commensurate with the ML/TF risks identified.
62. When reviewing the adequacy and effectiveness of their AML/CFT RBS model, competent authorities may use a variety of tools, including professional expertise, self-assessment questionnaires, sample testing of supervisory actions, comparison with new information such as reports and feedback from other competent or relevant AML/CFT authorities, law enforcement and other national agencies, or documents from relevant European or international organisations. Competent authorities should also seek to familiarise themselves with international best practices and consider participating in relevant international and European forums.
63. Measuring the impact of AML/CFT supervision on the level of compliance and the effectiveness of subjects of assessments' AML/CFT controls may also help competent authorities assess the effectiveness of their AML/CFT RBS model.

Ad hoc reviews

64. In addition to a regular review at fixed intervals, competent authorities should review, update or amend their AML/CFT RBS model if its adequacy or effectiveness is called into question by events such as:
 - External evaluations of the model by, for example, the FATF or Moneyval or external audits;
 - Internal evaluations of the model, for example, gap analysis, internal audit reports, quality assurance testing and 'lessons learned' exercises;
 - Significant changes to the supervisory system such as the creation of a new division or large increases in staff, change of board members or the management, or significant changes in the financial sector;
 - Significant changes of the legislative or regulatory AML/CFT environment; and
 - Emergence or identification of new risk factors.

Organisational and procedural aspects of the review process

65. An objective review process should be based on clear and transparent internal procedures. Such procedures should not only set out when a revision is due, but also the content and the persons in charge of the revision process. As regards the latter, the review of the AML/CFT RBS model may be carried out within whichever of the competent authority's team had previously set up the model or by the competent authority's internal quality review, internal audit or risk management team.

66. In addition to the internal review process, competent authorities may consider tasking an external expert to obtain an objective evaluation of its model or to ensure harmonisation on a national level with the models used by other competent authorities.

Record keeping

67. Competent authorities should document the AML/CFT RBS model, its implementation and subsequent reviews appropriately for its institutional (supervisory) memory and also provide a record of outcomes and decisions and their underlying rationale to ensure that actions taken by the competent authorities with regard to the different subjects of assessment are coherent and consistent.

Feedback and follow-up actions

Accountability

68. Senior management of the competent authorities should have an adequate understanding of the ML/TF risks present in the supervised sector and sub-sectors and be regularly informed on AML/CFT supervisory actions and their outcome. This is so they can judge the overall effectiveness of the measures implemented by the subjects of assessment to reduce these risks as well as the need to review, where appropriate, the intensity and frequency of the supervision and the allocation of supervisory resources.

Form of feedback

69. The findings of the ML/TF risk assessment should be shared with the relevant AML/CFT staff within the competent authority.
70. They may also inform the process of prudential and conduct supervision, or be relevant for a sectoral or national risk assessment or policy changes, as well as the process of co-operation with other competent or relevant AML/CFT authorities.
71. Competent authorities should determine appropriate ways to provide feedback to stakeholders about the outcomes of the risk assessments and the supervisory actions, either directly to the subjects of assessment concerned, or to the wider regulated sector, including trade and professional associations. The level of detail of information to be shared, the timing and the way this feedback is communicated may vary and will take into account the interests of the competent authorities and the applicable confidentiality provisions.
72. Examples of different ways to provide feedback to subjects of assessment include:
- Supervisory guidance;
 - Letters to individual subjects of assessment or groups of subjects of assessment;
 - Bilateral or multilateral meetings;
 - Enforcement notices; and
 - Speeches.

Title III - Implementation

Implementation

73. Competent authorities should implement these guidelines by incorporating them into their supervisory processes and procedures by [one year after these guidelines have been issued].