

Annual MLRO Report Guidance (*updated*)

December 2024 (v.1.2)

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Overview

Changes to the Annual MLRO reporting schedule

The QFC Regulatory Authority ("Regulatory Authority") is in the process of amending the reporting schedule for the Annual MLRO report. Therefore, all firms are requested to submit their next Annual MLRO report, **no later than 28 February 2025** for the year ended **31 December 2024**. Whilst the current AML/CFT Rules still permit firms to provide a copy of their Annual MLRO Report by 1 June 2025, the pending AML/CFT Rule amendments will change the reporting date to 28 February.

If firms are experiencing any difficulties meeting the revised deadline, they should contact their AML/CFT Supervisor at AML@qfcra.com to discuss.

Purpose

1. The Regulatory Authority has developed the following revised template report to assist Money Laundering Reporting Officers ("MLROs") discharge their reporting obligations to senior management, as set out in Division 2.3C of the Anti-Money Laundering and Combating Terrorist Financing Rules 2019 ("AML/CFTR") or the Anti-Money Laundering and Combating Terrorist Financing (General Insurance) Rules of 2019 ("AMLG"). The AML/CFTR and AMLG are collectively referred to as the AML/CFT Rules.
2. The template covers the minimum contents of an Annual MLRO Report. This includes an assessment of the adequacy and effectiveness of the firm's AML/CFT Policies, Procedures, Systems and Controls ("PPSC"), suspicious transaction reporting, breaches, areas for improvement, training, high-risk customers, AML/CFT action plans, and review of the firm's PPSC and risk assessment.
3. The Annual MLRO Report should set out how the MLRO assessed the adequacy and effectiveness of the firm's PPSC in preventing money laundering and terrorist financing. If deficiencies or breaches are identified, include details of remedial action plans.
4. An Annual MLRO Report must be given to senior management for each calendar year. Senior management must confirm in writing that they have considered the report and approved the resultant action plan, if any action plan is required. The firm's MLRO must give the Regulatory Authority a copy of the report and confirmation **no later than 28 February**¹ of the next year. This must be submitted via the Regulatory Authority's Electronic Submission System ("ESS"). Should the Annual MLRO Report be materially incomplete, resubmission will be requested.

¹ It is proposed to amend the AML/CFT Rules during 2025 to bring forward the reporting date of the Annual MLRO Report from 1 June to 28 February.

Delay in submission of the report

5. Should there be any delays in submission of the Annual MLRO Report by **28 February 2025**, then firms should contact their AML/CFT Supervisor at AML@qfcra.com. An administrative fee may apply as per the General Rules 2005 (GENE) for any submissions not received before 1 June 2025.²

Using the template report

6. The Regulatory Authority encourages firms to use the template report to ensure they are reporting on all requirements set out in the AML/CFT Rules. Guidance and additional information are highlighted in '**red italics**' in the template to further assist firms. Firms should delete the '**red italics**' and those components of the report that are not applicable when completing the report. While it is not mandatory for firms to use this template report, the Regulatory Authority considers it 'best practice' to assist firms in discharging their reporting obligations under the AML/CFT Rules Division 2.3C.

Important notes:

7. The Annual MLRO Report is not a report to the Regulatory Authority. The report is a mechanism for the MLRO to assess the adequacy and effectiveness of the firm's PPSC and assist senior management in discharging their responsibilities under the AML/CFT Law and Rules.
8. The Regulatory Authority has issued a template AML/CFT Programme Self-Assessment Questionnaire, which is available on the QFCRA website (Link). Firms are encouraged to use this document when assessing their compliance with the AML/CFT Law and Rules.
9. The General Rules 2005 contain important provisions that firms should be aware of when making communications to the Regulatory Authority. It is a contravention of Article 84 of the Financial Services Regulations for any person to knowingly or recklessly provide information to the Regulatory Authority that is false, misleading or deceptive, or to conceal information from the Regulatory Authority where the concealment of the information is likely to mislead or deceive the Regulatory Authority.

² As per the current AML/CFT Rules.

Annual Money Laundering Reporting Officer Report to Senior Management

(template)

Firm Name:

QFC Number:

MLRO's name and country of residence:

Deputy MLRO and country of residence:

Reporting Period: 1 January to 31 December - (year)

Executive Summary

Pursuant to the Anti-Money Laundering and Combating Terrorist Financing Rules 2019 ("AML/CFTR") or the Anti-Money Laundering and Combating Terrorist Financing (General Insurance) Rules of 2019 (AMLG), rule 2.3.8, (delete the rule that is not applicable) I, (insert name of MLRO), have prepared this report for senior management's consideration, to discharge my responsibilities under the AML/CFT Law and Rules.

My findings are summarised as follows:

(Provide a summary of your findings and any deficiencies or specific issues to bring to senior management's attention)

Outcome of review in line with AML/CFT Rule 2.3.8

1. Adequacy and effectiveness - AML/CFT Rule 2.3.8(2)

I have assessed the adequacy and effectiveness of the firm's PPSC in preventing money laundering and terrorist financing. This was undertaken adopting the following approach:

(Set out how you assessed compliance with this requirement. What was the methodology you used to assess the adequacy and effectiveness of the PPSC– was there any testing or sampling undertaken?)

2. Suspicious Transaction Reports - AML/CFT Rule 2.3.8(3)(a), (b) & (c)

Internal STRs	Number
STRs submitted to QFIU	Number
Q07 report to QFCRA	Number

(Insert number) reports were not sent onto the QFIU for the following reasons:

(If applicable, set out the reasons)

The Regulator was informed in writing that the firm had made *(insert number)* reports to the QFIU under AML/CFT Rule 5.1.7(6), and a Form Q07 Notifications was filed *(insert date)*. *(If applicable)*

3. Breach reports - AML/CFT Rule 2.3.8(3)(d)

AML/CFT Law	Number
AML/CFT Rules	Number
PPSC	Number

(Select the applicable response below, regarding whether or not breaches were identified. Firms should get this information from their breach register to ensure accurate reporting of any breaches)

I have reviewed the firm's breach register, and the firm made the following breach reports of the AML/CFT Law, the AML/CFT Rules, or the firm's PPSC:

AML/CFT Law

(Set out the number and type of breach and how the breaches were identified)

AML/CFT Rules

(Set out the number and type of breach and how the breaches were identified)

PPSC

(Set out the number and type of breach and how the breaches were identified)

I have identified no breaches by the firm of the AML/CFT Law, the AML/CFT Rules, or the firm's PPSC.

4. Improvements - AML/CFT Rule 2.3.8(3)(e)

(Delete the section that is not applicable)

I have identified the following areas where the firm's PPSC should be improved, and proposed appropriate improvements as follows:

(Set out the improvements, action plan/timeframe, resources needed, individual responsible for the completion of improvements, senior management engagement and support, etc. Where previous improvements have not been addressed, explain the reason why and proposed plans to address them)

I have reviewed the firm's PPSC and have not identified any areas or proposals for improvements. My reasoning for this finding is as follows:

(Explain why no improvements are required)

5. Training - AML/CFT Rule 2.3.8(3)(f) - in line with Part 6.2 of the AML/CFT Rules

Training sessions conducted	Number
Number of attendees	Number

The following AML/CFT training, in line with Part 6.2 of the AML/CFT Rules, has been delivered to the firm's officers and employees:

(Set out a summary of the training provided, such as type of training, date, duration, and number of staff that attended the training. If no training was provided, state the reason why. Refer to Part 6.2 of the AML/CFT Rules for further guidance on the level of training that should be provided to the firm's officers and employees, including the MLRO and Deputy MLRO)

6. Training - AML/CFT Rule 2.3.8(3)(g) - in line with Part 6.2 of the AML/CFT Rules

(Delete the section that is not applicable)

I have identified the following areas where the firm's AML/CFT training program should be improved, and proposed appropriate improvements as follows:

(Set out any areas for improvement, including any proposals and timeframes for implementation)

I have not identified any areas where the firm's AML/CFT training program should be improved, and I am satisfied that the firm complies with the requirements of Part 6.2 of the AML/CFT Rules.

7. High-risk customers - AML/CFT Rule 2.3.8(3)(h) - in line with Chapter 3

High-risk customers	Number
Type of Customers that are High-Risk	Individuals number
	Corporate number
	PEPs number
	Others number

(Select the applicable response in line with the requirements of Chapter 3 of the AML/CFT Rules)

The number and types of customers of the firm categorised as high-risk, pursuant to the risk-based approach set out in Chapter 3 of the AML/CFT Rules, are as follows:

Individuals

(Set out the number – include the number of Politically Exposed Persons (“PEPs”))

Corporate

(Set out the number – include the number of firms where PEPs are beneficial owners or members of senior management)

Other

(Set out the number and explain the type of customers)

The firm does not have any high-risk customers pursuant to the risk-based approach set out in Chapter 3 of the AML/CFT Rules.

8. Action Plans - AML/CFT Rule 2.3.8(3)(i)

(Select the applicable responses, as firms may have a number of different plans resulting from a self-assessment, audit, independent review, or a Regulatory Authority Risk Assessment Visit (“RAV”).

After assessing the adequacy and effectiveness of the firm's PPSC in preventing money laundering and terrorist financing, I implemented or will implement the following AML/CFT action plan:

(Set out details of any action plans, including any action plans that may have been implemented during the reporting period, following findings in the previous year's Annual MLRO Report)

(Include details of any changes in the firm's AML/CFT processes implemented during the reporting period. This should include changes to PPSC, especially with regard to Know Your Customer (“KYC”), Customer Due Diligence (“CDD”), Customer Identification Documents (“CID”), onboarding of high-risk customers, sanctions screening, transaction monitoring, and Suspicious Transaction Reporting. Explain the reasons for the changes)

Also consider Rule 2.3.9(b) – approved action plan with senior management, Rule 4.3.4(3) and (4) - when CDD may not be required for acquired businesses, and Rule 6.2.2(3)(b) – training must be maintained and reviewed)

After completing an AML/CFT Programme Self-Assessment Questionnaire, I implemented the following AML/CFT action plan:

(Set out the details of any action plan implemented after completing an AML/CFT Programme Self-Assessment)

After an AML/CFT Risk Assessment Visit ("RAV") by the Regulatory Authority during the reporting period, the following AML/CFT action plan has been implemented:

(The Regulatory Authority may have conducted a RAV during the reporting period and issued a report and/or a Risk Mitigation Program ("RMP"). Set out the details of any AML/CFT findings in the Annual MLRO Report to senior management and proposed actions for remediation)

9. Quality Assurance or audit review³ - AML/CFT Rule 2.3.8(3)(j) – in line with AML/CFT Rule 2.1.1(3)(d), 2.1.1(4) & 2.2.2(1)(d)

(Select the applicable responses)

During the reporting period, a quality assurance review, independent review, or audit of the firm's PPSC was conducted by ***(set out who conducted the review or audit, their name, designation and AML/CFT skills, knowledge and experience of the reviewer and the scope of the review)***.

This review was undertaken in line with AML/CFT Rule 2.1.1(3)(d), 2.1.1(4), & 2.2.2(1)(d). ***(Set out the applicable provisions of the AML/CFT Rules, noting that AML/CFT Rule 2.1.1(4) requires an independent review to be conducted once every 2 years for all firms)***.

The results of the review(s) are as follows:

(Set out the findings and recommendations of the quality assurance review, independent review, or audit, including the assessment of the overall AML/CFT framework of the firm, any actions plan, due dates for completion, and the name of the individual responsible for completion).

During the reporting period, there was no quality assurance review, independent review or audit of the firm's PPSC. No review was conducted for the following reasons: ***(Explain why a quality assurance review, independent review, or audit was not conducted, taking into account the requirements of AML/CFT Rule 2.1.1 (3)(d)***,

³ Please refer to the AML/CFT Independent Review Report Guidance issued by the Regulatory Authority, which is available on the Regulatory Authority's website.

2.1.1(4), & 2.2.2(1) (d.) and the firm's policy regarding an adequately resourced independent review function)

10. Risk Assessment outcomes - AML/CFT Rule 2.3.8(3)(k)

(Select the applicable responses)

During the reporting period, a review of the firm's risk assessment PPSC was conducted by ***(insert name and title)***, and the outcome was as follows:

(Set out the overall risk rating of the firm, the risk rating methodology, and the findings of any risk assessment of the firm's AML/CFT risk assessment PPSC)

During the reporting period, a review of the firm's risk assessment PPSC was not undertaken for the following reasons:

(Explain why a review was not undertaken and when one will be scheduled)

Conclusion

After assessing the adequacy and effectiveness of the firm's PPSC in preventing money laundering and terrorist financing, I make the following conclusions:

(Summarise your findings, and report on the effectiveness of the PPSC and any deficiencies in the PPSC. Also, set out any other matters you wish to raise with senior management, e.g. AML/CFT resources/budget, improvements to systems, etc.)

Recommendations

As a result of the conclusions in the previous section, I make the following recommendations for your consideration, pursuant to AML/CFT Rule 2.3.9:

(Set out any recommendations and proposed deadlines for completion)

Signature: _____

Name:

Title:

Date:

Senior Management consideration - AML/CFT Rule 2.3.9

(No later than 28 February 2025⁴, senior management of the firm must consider each report made to it by the MLRO; and if the report identifies deficiencies in the firm's compliance with the AML/CFT Law or Rules, approve an action plan to remedy those deficiencies in a timely way – AML/CFT Rule 2.3.9. Additionally, Rule 7.1.1(2)(b) requires a firm's senior management to ensure it complies with record-keeping obligations, as set out in Part 7.1 of the AML/CFT Rules)

On behalf of the senior management of the firm, I ***(insert name and title)*** confirm that the MLRO's report has been considered pursuant to AML/CFT Rule 2.3.9. Further, I confirm compliance with the general record-keeping obligations, as set in Part 7.1 of the AML/CFT Rules.

(Senior management who consider and sign the report must be independent of the MLRO function)

Senior management makes the following comments in respect of the report:

(Senior management is expected to set out any comments or feedback on the report, including approval of an action plan to remedy any deficiencies in a timely manner)

Signature: _____

Name:

Title:

Date:

⁴ It is proposed to amend the AML/CFT Rules during 2025 to bring forward the reporting date of the Annual MLRO Report from 1 June to 28 February.