



ADGM Quick Guide

Business Risk Assessment Guide for DNFBPs

What is a Business Risk Assessment?

A Business Risk Assessment (BRA) is an assessment that you conduct to identify and assess the money laundering (ML), terrorist financing (TF) and proliferation financing (PF) risks that your business may be exposed to. Once you identify the risks, you set controls for each of the risks identified and assess the strength of these controls. Completing your BRA should allow you to identify and determine the overall ML, TF, PF and other financial crime risks your business is potentially exposed to.

For example, if your business deals with customers from high-risk jurisdictions, you need to identify how many of your customers fall into this category. This will allow you to assess your exposure to high-risk customers and evaluate the effectiveness of the controls you have in place when dealing with these customers.

The requirement to undertake a BRA is set out in Chapter 6 of ADGM's Anti-Money Laundering and Sanctions Rulebook ([AML Rules](#)).

This guide should be read together with the Quick Guide on Customer Risk Assessment (CRA) available [here](#).

How does a Business Risk Assessment differ from a Customer Risk Assessment?

The BRA is separate from a CRA. While both assessments consider ML, TF and PF risks, a CRA requires you to assess those risks specifically in relation to each customer and each prospective customer. The outcome of your BRA must be considered when undertaking each CRA so that you can assign an appropriate risk rating to each customer, which in turn will ensure you undertake the correct level of due diligence.

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Overview

The BRA must assess the ML, TF and PF risks a business is exposed to across all relevant factors, including customers, products and services, transactions, delivery channels, geographies, new developments and technologies, and other business-specific considerations.

It should be reviewed regularly and updated before any change in business operations or before a new product or service is launched.

What risk factors should be considered when conducting a Business Risk Assessment?

Adopting a risk-based approach is essential when managing ML, TF and PF risks. Higher-risk areas require the implementation of enhanced control measures. Your BRA should enable you to identify and evaluate the financial crime risks your business is exposed to. For each identified risk, appropriate controls should be established to adequately mitigate its potential impact.

ML, TF and PF risks vary from one business to another, depending on the type of activities being conducted. The table below outlines the risk factors that should be considered and examples of what to take into account when assessing each factor.

Risk Factor	Example
 Customer	Type of customers (i.e. residents vs. non-residents, complex ownership, high-risk industries), nationalities and PEP risks
 Geographical Location	Different locations the business operates from, different geographies in which it does business
 Products and Services Offered	Type of products and services offered to customers (i.e. company formation, purchase of real estate, purchase of diamonds), including new products and services
 Distribution Channels	Methods of interactions with customers (i.e. face to face, online/digital platforms, telephone, agents/intermediaries, or other remote channels)
 Transactions	Cash usage, cross-border transactions, third-party payments, intermediaries
 New Technologies	Where emerging technologies impact new or existing products



How to conduct a BRA?

You should have a methodology for carrying out and documenting your BRA. The documentation should include a step-by-step guide on how the BRA is conducted. The methodology for the BRA and then the subsequent assessment of AML/TFS systems and controls should, at minimum, include:

Section	Description
Risk Categories	Identification of risk categories (e.g., customer, service, geography)
Inherent Risk	Risks identified without setting controls
Likelihood	The possibility of an inherent risk from happening (e.g. likely, unlikely)
Controls	Mitigants in place to reduce risk exposure
Overall Risk	Overall conclusion of risk a business is exposed to.





Inherent Risk vs Residual Risk

When conducting a BRA, you are evaluating both the likelihood of the risk and the impact of that risk on your business if not mitigated (AML Rule 6.1). This is the inherent risk. After the BRA, you will set controls to mitigate or reduce those risks (AML Rule 6.2). Those controls are measured through a control effectiveness assessment to determine how well these controls reduce or prevent the inherent risks. This will enable you to assess the residual risk, which is the level of risk that remains after controls have been applied. This two-stage approach ensures that risks identified in your BRA are systematically identified, managed, and monitored.

When should you conduct a Business Risk Assessment?

The BRA must be updated whenever there is a change to the nature of the business or a trigger event, for example, offering new products or services or using a new technology. Taking these factors into consideration help you to identify any new or increased ML, TF and PF risks that may affect your business. The AML Rules require you to conduct an annual review of the effectiveness of your AML/TFS policies, procedures, systems and controls.

What are the Business Risk Assessment Outcomes?

The BRA undertaken pursuant to AML Rule 6.1 should serve as the foundation for the firm's AML/CFT framework of policies, procedures, systems and controls implemented pursuant to AML Rule 6.2. The BRA's findings should ensure that internal controls including onboarding checks, monitoring thresholds and escalation processes match the level of identified risk. It also forms part of a CRA by categorising clients (e.g., low, medium, high) by taking into account inherent risk factors identified through the BRA. By identifying higher-risk areas, the BRA enables management of the firm to direct compliance resources to where they are most needed, ensuring stronger controls, closer monitoring, and effective oversight of ML, TF and PF exposures.



The below is provided for illustrative purposes only to show the outcome of the BRA (AML Rule 6.1) and then the implementation of AML/TFS systems and controls (AML Rule 6.2.) It contains non-exhaustive examples of BRA outcomes that may arise for different DNFBP sectors. This does not represent a complete BRA or AML/TFS systems and controls framework.

Sector	Risk Group	Risk Description	Likelihood	Impact	Control	Control Effectiveness	Residual Risk
Company Service Providers	Customer risk	Dealing with clients that are non-residents	Likely	High	The non-residency factor may lead to a high-risk rating of the customer, in accordance with the Firm's CRA. Accordingly, the firm will conduct Enhanced CDD.	Substantially Effective	Medium
Law Firms	Service risk	Managing bank accounts on behalf of clients	Likely	High	Managing bank accounts on behalf of a customer is a high-risk activity, as it may lead to concealment of beneficial ownership. Accordingly, the firm will ensure that the UBO is identified and conduct Enhanced CDD subsequently.	Substantially Effective	Medium
Auditors and Accountants	Service risk	Providing audit to a client that is a parent holding company that has operations in a high-risk jurisdiction	Possible	High	Having a customer with operations in a high-risk jurisdiction leads to exposing the Firm to higher risk from ML and TF perspective. The firm will conduct Enhanced CDD to understand identify and verify the source of funds of its Client's operations in the high-risk jurisdiction.	Substantially Effective	Medium
Dealers in Precious Metals and Stones	Customer risk	Accepting cash payments exceeding the threshold of AED 55,000	Almost Certain	High	Only accept cash payments after obtaining senior management approval and collecting required CDD. For high-risk customers, evidence of source of funds and wealth is required before proceeding. All cash transactions exceeding AED 55K are reported to the UAE Financial Intelligence Unit.	Substantially Effective	Medium
Real Estate	Customer Risk	Acting as an agent for a customer who wishes to pay in cash.	Possible	High	The firm does not accept cash payments. All payments to be made via a regulated financial institution.	Effective	Medium

The above table provides illustrative examples only – you must identify and assess the risks relevant to your business.

You can see from the table how a firm must document its risk assessment through its BRA, assessing every risk factor, including the likelihood of such risk from existing along with the impact if such risk occurred. After the BRA, you are responsible for implementing controls against these risks to act as mitigants. Upon completion, you will be able to obtain the residual risk for every risk factor considered.



What to consider when documenting the Business Risk Assessment?

DNFBPs should consider documenting:

- A clear risk assessment methodology (qualitative and/or quantitative).
- How the firm factored in the outcomes of the most recent UAE National Risk Assessment (NRA).
- Risk categorisation tables or matrices.
- Control measures applied and justification for risk ratings.
- Relevant sources of information.
- Frequency of review and triggers for updates.
- Approval and governance processes.
- Application of outcomes.
- Designated responsibilities, including the role of the Compliance Officer or MLRO.

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