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# Guide to File Opening Risk Assessments (FORA) – Departmental Risks

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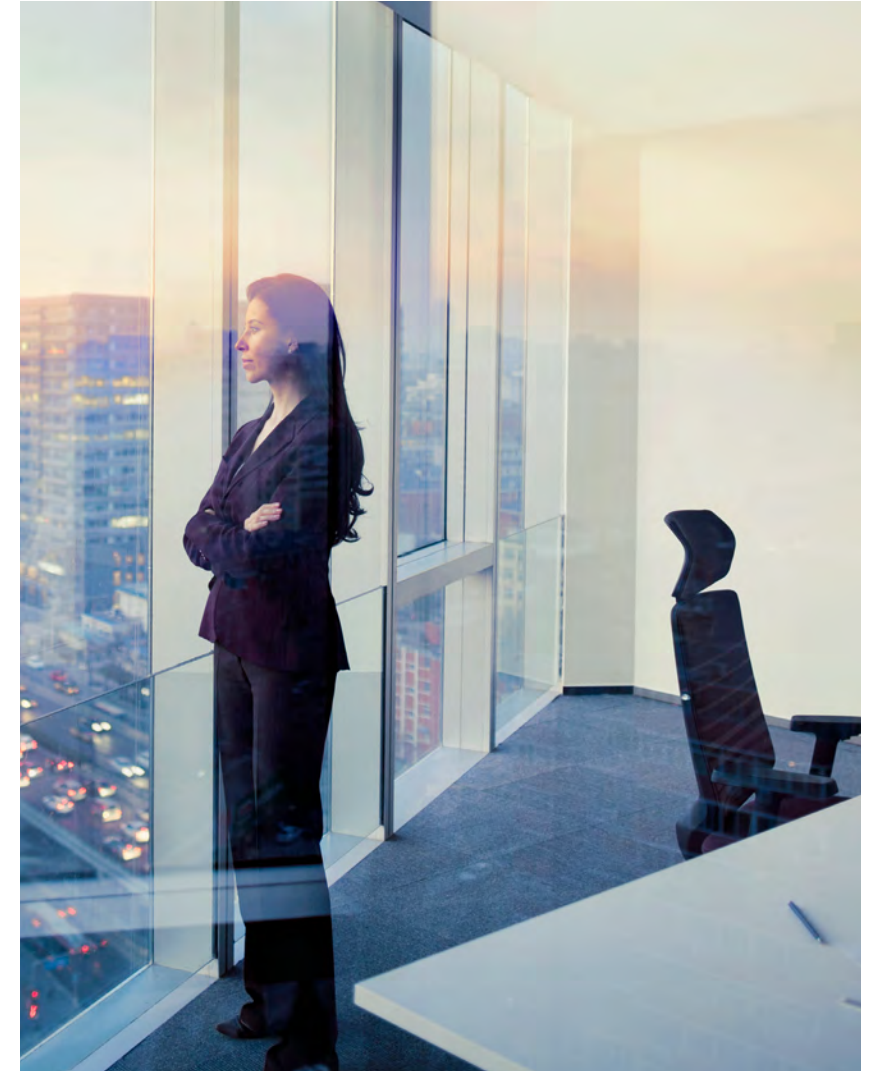
# The Requirement

There are various types of risk assessment that firms are required to produce. The SRA has stated that it finds that firms often confuse matter or client risk assessment with a firm-wide risk assessment. These are different documents which do different jobs, but both are a requirement of the money laundering regulations:

Firm-wide risk assessments are intended to evaluate the money laundering risk that your whole business is exposed to, whilst a matter or client risk assessment is linked to a particular client file, and assesses the money laundering risk of that client or client matter.

This Guide provides an overview of what your FORA should cover and focuses on the departmental risks that should be considered. We cover compliance risks in a separate guide.

Firms should undertake an annual departmental risk assessment to establish the risks specific to each department at the firm. This should then be built into each department's business plan and will enable the department to put in place measures to mitigate the risks identified.



# Firm's Policy for a FORA

Firms must have a policy in place that requires a FORA to be completed before the start of each client matter. The FORA should be in one of the following formats:

- An electronic form to be completed on-line used as part of a case management system; or
- A paper form to be completed and placed on the file.

The Firm's policy must document, for each department, the following information:

- a. The person responsible for completing the FORA for each client matter;
- b. The procedure for approval and sign-off, including details of to whom medium and high risk matters should be referred;
- c. The process that needs to be followed if the instructions cannot be accepted;
- d. Details of the steps needed when a high risk matter is accepted, e.g. Additional supervision and reporting requirements, document checking processes and increased file reviews.





# What Should the FORA Cover?

The FORA should include consideration and a review of the following areas of risk:

- Client Risk
- AML Risk
- Fee earner Risk
- Time Limit Risk
- Value of Matter Risk
- Key Date Risk
- Costs Risk
- Resources Risk.



# Mechanisms to Identify Matter Risks

Firms must have a mechanism within the FORA to enable fee earners to identify the risk of a matter following a review of the above identified risk areas. The risk can be rated as follows:

- a. Using a traffic light system i.e. Red for High, Amber for Medium & Green for Low Risk; or
- b. An automated point scoring system which identifies High, Medium & Low Risk matters.



# Departmental Risks

In order to identify departmental risks, you should gather the following data / information:

- Permitted work types for each department
- Resources / Fee earner information
- Top referrers of work
- Acceptable / non-acceptable client types.

Looking at each in turn:



## Permitted work types for each department

Firms should maintain a list for each department of the work that they can and cannot undertake. This list must be regularly maintained, updated and communicated to all relevant staff so it can be used in conjunction with completion of the FORA. It must be made clear to staff that they must only undertake permitted work.

The list should then identify fee earners within the department who are able to undertake each type of work specified, and whether they can work unsupervised, or need supervision.

Clarifying permitted work for departments is important so fee earners know where the boundaries for undertaking work sit and will assist them to accurately complete a FORA.





## Resources / Fee earner information

Firms should maintain, for all departments, a list of all fee earners detailing the following information:

- Their position
- Years qualified / experienced
- Area(s) of practice & specialism.

This list should be used to assist when considering the Fee Earner Risk on the FORA.

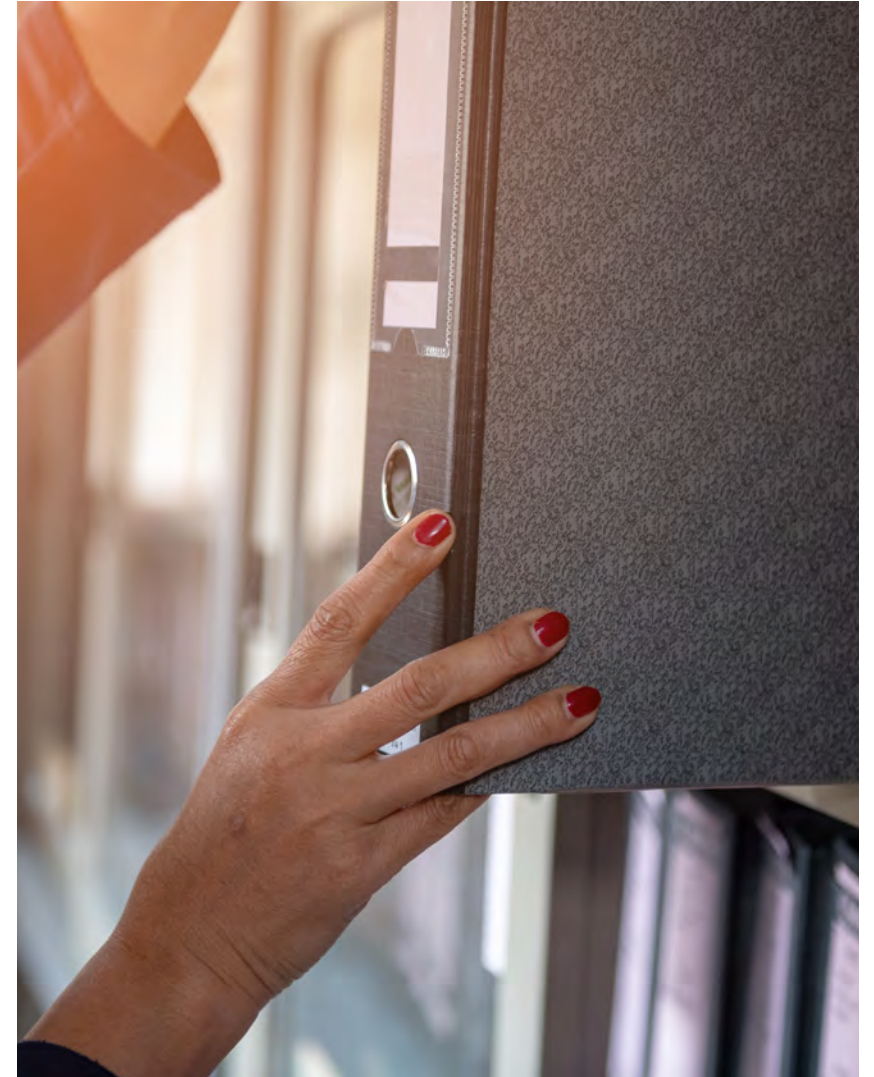
It will also enable a department to identify the areas of work where fee earner cover may be limited (e.g. If a department only has one person able to undertake certain work), and this can then be built into the department / firm business plan.





## Top Referrers of work

Each department should keep a record of its top referrers of work (for example, the top 3 estate agents), to identify how reliant it is on any particular referrer.



## Acceptable / Non-acceptable clients

If the department has specified criteria for clients it deems acceptable or not acceptable, this should be detailed and made available to fee earners in the FORA policy.



# Staff Training

Firms should provide all fee earners with training upon roll-out of all new processes, together with regular ongoing training, to include how to complete the FORA and how the risk scoring criteria works. Training should also include:

- Ensuring staff are familiar with and aware of the list of work that can and cannot be undertaken within each department;
- A reminder of the importance of keeping their fee earner information up-to-date so work can be allocated appropriately; and
- The generic risks and causes of claims linked with areas of work undertaken by the department.





# Ongoing Review

Firms must review a FORA throughout the life of a matter in all High and Medium risk matters.

Firms must be able to evidence that these further reviews have happened and be able to demonstrate the original risk rating of the matter and the risk rating that applies following the matter being subject to further review.

The number of times the matter is reviewed during its life will depend upon its risk rating.



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