

CRA Methodology

Compliance Risk Assessment — How obligation-level ratings are produced and refreshed.

Purpose

Produce a defensible, obligation-by-obligation view of compliance risk so the board can demonstrate where regulatory exposure sits, how it is controlled, and whether residual exposure is inside appetite.

Unit of assessment

One row per in-scope obligation. Obligations are derived from the regulatory source register (JFSC Handbook, Codes, Orders, Laws). Out-of-scope obligations are marked with rationale and re-tested for scope on each cycle.

Scoring model

- Inherent risk = Likelihood of non-compliance × Severity of non-compliance impact, on a published 4-band scale.
- Control mapping = the controls evidenced for the obligation (preventive, detective, corrective).
- Control effectiveness = output of the most recent monitoring test cycle.
- Residual risk = inherent risk adjusted by aggregate control effectiveness, via the published residual-risk formula.
- Appetite check = residual risk vs. board-approved appetite threshold for the domain.

Frequency

- Full refresh: annual, aligned to BRA cycle.
- Targeted refresh: triggered by regulatory change, new obligation in scope, failed monitoring test, breach, or appetite-threshold breach.

Governance routing

All residual-high obligations are escalated to the Risk & Compliance Committee. Out-of-appetite obligations trigger an automatic finding, an owner assignment and a remediation plan with a board-visible due date.

JFSC expects the CRA to demonstrate a clear line from obligation → control → test → result → residual rating → board decision. RegAlign enforces that chain at the data layer; supersession (not edit) is the only way to change a sealed obligation rating.

2026 Handbook anchors & CPF depth

- CPF obligations are tagged as a distinct obligation family — separate inherent and residual ratings from ML / TF.
- Sanctions-evasion typologies (DPRK shipping, dual-use procurement, virtual-asset layering) carry mandatory minimum inherent ratings.

- Governance MI obligations added: board-level CPF dashboard, MLRO/MLCO independence attestation, three-lines independence evidence.
- Obligation library refresh: virtual-asset service-provider regime, professional-enabler typologies, complex-structure transparency expectations.

CRA → CMP linkage (how residual drives monitoring)

Each CRA obligation carries a residual rating; the residual band sets the CMP frequency banding (critical → quarterly, elevated → semi-annual, moderate → annual, low → biennial), the sample-size lookup and the method (re-performance vs walk-through). CMP test outcomes recompute the residual on save. The linkage is enforced — an obligation rated residual-elevated or higher with no scheduled CMP test raises an automatic methodology finding.

JFSC anchors: Codes of Practice §3 (Corporate governance — risk management) · AML/CFT/CPF Handbook §3 (Risk assessment) · JFSC AML/CFT/CPF Handbook 2026 update — obligation-level CPF coverage

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