

# AML/CFT Systems of Control

## Risk Based Approach

### Interface Risk

- Face to Face
- Non Face to Face
- Introducers
- Client Accounts
- On-line & Internet

### Customer Risk

- Complex Structures
- Legal Entities
- PEPS
- Individuals

### Country Risk

- Effectiveness
- Corruption
- Sanctions

### Product Risk

- Correspondent Banking
- Shell Banks
- Bearer Instruments
- Wire Transfers
- Anonymous Accounts

## Reporting

- Internal Reporting
- External Reporting

- Where does the money come from?
- What is the customer doing with it?
- Transaction Monitoring

## Economic Activity

- Identity
- Who controls the customer
- Physical Person
- Beneficial Owner

## KYC

## Training

## Senior Management & MLRO

- Accountability of Senior Management
- MLRO
  - Appointment
  - Role
  - Reporting to Senior Management
  - Branches

## Documentation

- Customer Identification Documentation
- Transaction Records
- Compliance Documentation



# AML/CFT Compliance Themes

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## ✓ **RISK BASED**

- ✓ Does the firm have a methodology to capture the four risk elements?
- ✓ Is this methodology adequate?
- ✓ Does the firm have a process whereby KYC is escalated?
- ✓ Can the firm demonstrate the application of the methodology?
- ✓ Is this documented?
- ✓ Is it fit for purpose?

## ✓ **KYC**

- ✓ Physical Person
- ✓ *Is documentation being sought on the right people?*
- ✓ *Are beneficial owners properly documented?*
- ✓ Economic Activity
- ✓ *Is the firm looking at both ends of the transaction and defining risk based on these?*
- ✓ *What transaction monitoring systems are in place?*

## ✓ **SENIOR MANAGEMENT/ MLRO**

- ✓ Are the persons appointed as Director and MLRO of the right seniority/experience?
- ✓ Is there proper segregation between the MLRO and the Director with responsibilities for AML/CFT compliance
- ✓ Is senior management accountable for the firms systems of control
- ✓ How extensive is the Compliance Report prepared as part of the risk assessment work?
- ✓ Review of the MLRO's annual report
- ✓ Senior Management's consideration of the report and subsequent action plan

## ✓ **REPORTING**

- ✓ Internal Reporting
- ✓ *How are internal reports made and documented?*
- ✓ *Is there evidence of MLRO review and decision making?*
- ✓ *Are internal reports formally acknowledged including reminder of "Tipping Off"*
- ✓ External Reporting
- ✓ *Is the number and quality of reports made to GFIU (see annual report of firm) commensurate with other firms in same peer group?*

## ✓ **TRAINING**

- ✓ How much has training on AML/CFT issues been permeated down the organisation?
- ✓ How adequate and extensive is this training?
- ✓ Does the training cover;
- ✓ *Legal and regulatory responsibilities*
- ✓ *Role in handling ML or TF transactions*
- ✓ *The Firms' Risk Management methodology*
- ✓ *Recognition of ML or TF transactions*
- ✓ *Process for making internal reports?*



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