



## HIGH RISK FACTORS IN AML/CFT REPORTING REQUIREMENTS & NEW FEES



Issue No. 23

September 2014

- \* *High Risk Countries*
- \* *Customers*
- \* *Customer Profiling*
- \* *Monitoring*

### **Gentle Reminders**

- \* *Reporting Requirements*
- \* *New Fees*

Regulated businesses are to develop and implement monitoring processes for detecting and reporting suspicious activities with emphasis on high-risk countries. Policies and procedures should focus on combating money laundering and countering the financing of terrorism which would provide the foundation for this fight.

### **HIGH-RISK COUNTRIES**

Some countries and jurisdictions pose a high risk to regulated businesses. For example, countries subjected to Office of Foreign Assets Control (OFAC) sanctions, countries identified as supporting international terrorism, jurisdictions determined to be of primary money laundering concern and subject to special measures and jurisdictions or countries with deficiencies in combating money laundering and terrorist financing identified by international entities such as the Financial Action Task Force on Money Laundering (FATF).

Information about countries can be found on various organisations' websites such as FATF, CFATF, The World FactBook and World Check. Transparency International also provides the Corruption Perception Index (CPI).

OFAC maintains lists of countries, entities and individuals associated with terrorism, money laundering and other sanctioned activities. The OFAC countries list is compiled based on national security and United States foreign policy goals. The Department regularly disseminates the updated OFAC Lists to regulated businesses as soon as they are published.

The FATF identifies jurisdictions that have strategic AML/CFT deficiencies and to which counter measures apply, and jurisdictions with strategic AML/CFT deficiencies that have not made sufficient progress in addressing or have not committed an action plan developed with the FATF to address the deficiencies. A list of high-risk countries can be found on the FATF website. The Department also informs regulated entities when such jurisdictions have been

identified by the FATF. In such cases regulated businesses are required to apply enhanced due diligence procedures as stipulated by **Regulation 5** of the **Anti-Money Laundering Regulations, 2011**.

Regulated businesses should consider the characteristics of foreign countries such as growth, debt, currency, inflation, tax rate, banking system, stability and type of government, as well as corruption, terrorist and criminal activity.

### **CUSTOMERS**

Different types of individuals and businesses in any high-risk country present different characteristics and pose different levels of risk depending on the nature of the business, occupation or activities. In order to predict the types of activity in which the customer is likely to engage in, a customer due diligence process is needed.

The process begins with verifying the customer's identity and assessing the risks associated with that customer. The identification process also includes screening customers against OFAC sanction lists and PEP lists, and other lists of adverse information. Screening should also be performed on an ongoing basis so new and established customers are compared against new parties added to the lists.

Identifying information obtained at account opening also includes details on the customer's line of business or occupation, financial resources and expected activity (type and volume of transactions). This information provides an understanding of the anticipated flow of funds into and out of the account and allows a risk rating of the consumer, which in turn, facilitates the detection and reporting of suspicious activity.

### **CUSTOMER PROFILING**

A customer profile should be created based on the information obtained. It is very important to keep the customer information current by periodically contacting the customer, reviewing activity reports, obtaining explanation of changes in activity and incorporating the information into the existing profile. A risk rating is assigned to the customer based on the profile.

## MONITORING

A system to monitor the customers' activities is critical for detecting and reporting suspicious activities. Adequate policies and procedures should be developed according to the regulated business' risk profile, which considers its location, size, customer base and volume of activity. Monitoring systems may be manual, automated or a combination of these two and should include country, customer and activity. As such, it must incorporate the list of high-risk countries. Automated monitoring systems should be validated by an independent party to verify that they are working as intended and are producing useful alerts.

**Regulations 4(b) and 5(5)(a) of the Anti-Money Laundering Regulations, 2011** mandates that regulated businesses shall conduct ongoing monitoring of business relationship with all clients.

Additionally, **Regulation 5(6) of the Anti-Money Laundering Regulations, 2011** stipulates that a regulated business that acts in contravention of this requirement **"commits an offence and is liable on conviction to a fine of one hundred and fifty thousand dollars."**

\*\*\*\* **Gentle Reminders** \*\*\*\*

## REPORTING REQUIREMENTS

Service Providers are reminded of the reporting policy regarding administrative changes within their companies. Licences are granted based on information and circumstances presented at the time of application. Appropriate checks and verification are undertaken and based on the results licenses are either granted or denied. Once a regulated business has been granted a license then it is required to seek prior approval for any material change that is being contemplated, e.g. Appointment of Auditors, Compliance Officer, Directors and Managers.

Additionally, it is also a requirement to notify the Department of changes regarding promotions, new signatories, new employees, departure of employees, etc.

## NEW FEES

The Nevis Financial Services Regulation and Supervision Department wishes to remind all regulated entities and members of the public that there will be an increase in fees with effect as of **01 January 2015**. A copy of the new fees may be accessed on our website at [www.nevisfsrc.com](http://www.nevisfsrc.com).

## Change in Effective Date for Renewal Fees

For Insurance Related Products - New Renewal Fees will be in effect as of **01 February, 2015**

For all other Products - New Renewal Fees will be in effect as of **01 March, 2015**

**Please take note of the Guidance Notes below with respect to payment of Renewal Fees, which has immediate effect:-**

All Entities for which Renewal Fees become due **on or after 01 March, 2015** will be required to pay Renewal Fees at the new rate, irrespective of whether fees are paid prior to this date. That is to say, if a company is due to be renewed on March 05, 2015 but opts to pay its fees early, for instance on December 02, 2014 or January 10, 2015 for that matter, the new rates will apply.

All Entities for which Renewal Fees become due **before 01 March, 2015** but payment for same is not made until 01 March, 2015 or thereafter, Renewal Fees will be applied per the old rate. However, any penalty that becomes due and owing will attract the new rate. That is to say, where a December Company pays its annual fees on 01 March, 2015 or thereafter, annual fees of 220USD/594ECD will be applicable, but the penalty incurred for late payment will be processed at USD115 (the new rate) and not USD100 (the old rate).

Insurance Entities for which Renewal Fees are paid on or after **01 February, 2015**, will be required to pay fees per the new schedule. Penalties for late payment of Renewal Fees will also take effect as at **01 February, 2015 and will be applied strictly**. All concerned are asked to be mindful of timelines for payment as set out in the Nevis International Insurance Ordinance. That is to say, if the entity renews its licence on or after February 1, it will be expected to pay renewal fees at the new rate plus penalty for late payment.

## Other Fees to be Added

**Acceptance of Service Documents** (pursuant to S18 NBCO and S15 NLLCO)

**Fee for Late filing of Annual Returns for Foundations** (pursuant to S95(3) of the MFO)

### Source

*High Risk Countries in AML Monitoring by Alicia Cortez  
Downloaded from <http://acams.org/aml-white-paper-by-alicia-cortez/> on September 29, 2014*

*Anti-Money Laundering Regulations, 2011*

