



Effective AML/CFT Controls



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There are a number of controls that must be put in place to help regulated entities to mitigate money-laundering and terrorist financing risks. These controls range from setting the tone at the top to training of staff to ongoing monitoring. In this month's Newsletter, a few of those control measures are highlighted:

Tone at the Top

Developing a strong AML/CFT culture starts with the board of directors and management and may be deemed to be the most important component of the regulated entity's AML/CFT control environment. Setting the tone starts with setting the level of risk that the regulated entity is prepared to accept in pursuing its goals.

The regulated entity's AML/CFT culture is expressed through written policies and procedures. A positive and consistent message from the top aids in protecting the regulated entity against AML/CFT risks.

AML/CFT Compliance Manual

Regulated entities must maintain a detailed AML/CFT Policies and Procedures Manual. The Manual must be made available to all members of staff for review. Staff members are required to formally sign a declaration, indicating that they have read and understood the Manual. The Manual and the signed declarations are subject to regulatory reviews.



The FSRC Board of Commissioners has approved for purchase the FSRC's AML/CFT compliance manual template.

AML/CFT Training

In order to ensure success of the regulated entity's AML/CFT program, training of staff is a key component. The training implemented should be on an ongoing basis in order to ensure that the staff's knowledge and skills are current with the latest regulatory changes and new and emerging ML/TF threats.



All staff need to understand the risks associated with the products and services that the regulated entity offers. Staff must be suitably trained to be able to identify transactions/business activities related to a customer that are significant, unusual and unexplained. Once such transactions are identified, staff has to know the proper line for reporting.

Any AML/CFT training conducted by the regulated entity must be well documented via training logs which will show the adequacy and frequency of such training. Regulated entities should also ensure the training logs and all certification evidencing participation/attendance in AML/CFT seminars, workshops and conferences for various staff members are maintained on record. The training logs and AML/CFT certification will be subject to regulatory reviews during onsite inspections.

The Compliance Officer for the regulated entity must be approved by the FSRC and renewed on an annual basis. The Compliance Officer is responsible for providing AML/CFT training and support for the regulated entity.

On-boarding Process

Generally known as the Customer Identification Process (CIP), regulated entities should have in place processes for verifying their customers' identities.



Risk profiling for each customer should also be implemented using a risk matrix. Each customer will then be rated, for example, as low, medium or high risk based on the regulated entity's list of characteristics. **A risk rating matrix is included as**

part of the FSRC's AML/CFT compliance manual template which is available for purchase.

Paragraphs 42 to 96 and 174 of the Financial Services (Implementation of Industry Standards) Regulations, 2011 (FSISR) outline the verification procedures to be adhered to by regulated entities. The risk rating matrix and all CDD documentation are subject to regulatory reviews during onsite inspections.

Regulated entities should also seek to filter the customer's name against published watch lists such as those issued by the Office of Foreign Assets Control (OFAC). Conducting World Check, World Compliance and Internet searches are also important aspects of the regulated entity's verification process.

Ongoing Monitoring

It is very important that regulated entities ensure that documentation captured at the business relationship is accurate and remains up to date and relevant.



Ongoing monitoring can be manual or automated and is based on the regulated entity's business model. It is critical to perform ongoing monitoring of all customer due diligence and activities of the customers against risk levels and profiles. This allows regulated entities to detect potential suspicious activities that may require further investigation.

Suspicious Activity Reporting



Pursuant to paragraphs 9 and 11 of both the Anti-Money Laundering Regulations, 2011 (AMLR) and the Anti-Terrorism (Prevention of Terrorist Financing) Regulations, 2011 (ATR), as well as paragraphs 114 and 130 of the FSISR, regulated entities are required to

maintain a register of all enquiries received from the Financial Intelligence Unit (FIU) or other competent authorities and a Suspicious Transaction Report (STR) register for all reports made to the FIU.

The filing of STRs with the FIU should be made within the prescribed time limits. These registers are subject to regulatory reviews during onsite inspections.

Independent Audit

Regulation 3(8) of both the AMLR and the ATR states that a regulated entity should develop an independent audit function to test its AML/CFT program. This would need to be performed by an independent third party that has no role in either the implementation or oversight of the AML/CFT program. The regulated entity may have an internal audit unit or may choose to bring in external independent auditors who are qualified to conduct such an audit.



The independent audit should be conducted on an annual basis. The findings of the independent audit provide information to the board of directors and senior management regarding the effectiveness of the regulated entity's AML/CFT program. The use of an external independent auditor may also bring with it additional benefits from the knowledge and best practices gleaned from working with other regulated entities. The independent audit testing must encompass all aspects of the AML/CFT program. The internal audit report will be subject to review by the Branch during onsite inspections.

Gentle Reminder

All regulated entities are reminded of the requirement to submit the Application of Renewal of Licence as a Service Provider/Registered Agent/Insurance Manager in order to have their 2017 licenses issued. The completed application must be submitted along with all supporting documentation and the prescribed fee to avoid delays. A copy of the application form can be accessed via the following link: <http://www.nevisfsrc.com/regulatory-framework/supervision>

This link may also be used to access the Renewal of Compliance/Reporting Officer form.

