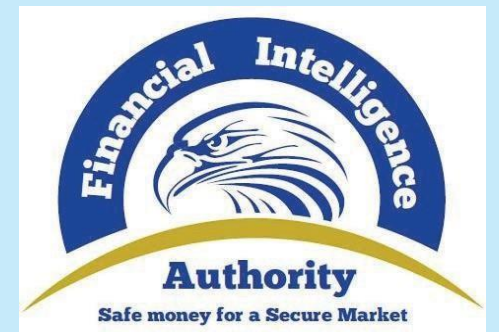


# **AML/ CFT/ CPF TRAINING FOR SENIOR MANAGEMENT & BOARD OF DIRECTORS (BANKS)**

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# AGENDA



- **FIA Mandate**
- **Customer Due Diligence**
- **Cross border correspondent banking relationships**
- **Proportionality principle to ML/TF risk management**
- **Effective risk management(adequate controls)**
- **Relevance of Corporate Governance principles to AML/CFT**
- **Responsibility of the Board**
- **Responsibility of Senior executives(management)**

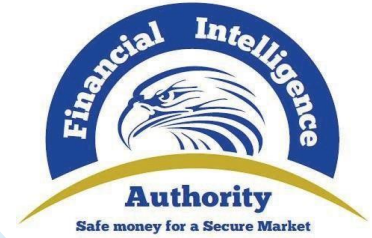
# FIA Mandate



**To combat money laundering ,Terrorism Financing and Proliferation Financing. The objectives of the Authority include the following;**

- To enhance the identification of the proceeds of crime and combating of money laundering;
- Ensure compliance with the Act;
- **Enhance public awareness and understanding on matters related to money laundering.**

# COMBATING ML/TF



Accountable persons should implement measures to prevent and detect money laundering, such as establishing CDD protocols, reporting suspicious activity, monitoring transactions, implementing compliance programs.

# Amendments

## **CDD**

In addition to customer due diligence measures ;

- Implement appropriate risk management systems to determine whether a customer or beneficial owner is a politically exposed person and if so apply;
- For a foreign PEP take reasonable measures to establish the source of wealth and funds
- Apply enhanced ongoing monitoring of the business relationship and obtain approval of senior management before establishing or continuing a business relationship

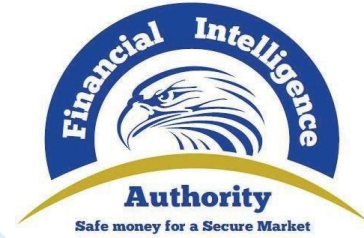
# CDD requirements



- For domestic politically exposed person, apply measures referred to above where risks of ML/TF are high.



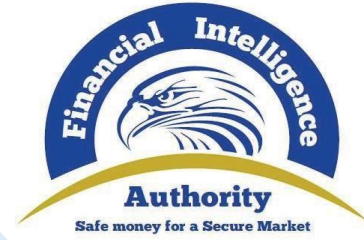
# Cross Border correspondent banking relationships.



Additional customer due diligence measures required;

- Adequately identify and verify the respondent institution with which it conducts such business relationship
- Understand the nature of its business (obtain sufficient information such as its reputation, quality of supervision, whether its subject to ML/TF financial investigation or regulatory action)
- Assess the respondents AML/CFT controls

# Cross Border correspondent banking relationships.



Additional customer due diligence measures required;

- Document respective responsibilities
- Obtain approval from Central Bank (new correspondent relationship)
- Obtain approval from senior management before establishing the relationship. Adequately identify and verify the respondent institution with which it conducts such business relationship



# Cross Boarder correspondent banking relationships.



Accountable person who relies on the third party that is part of the same financial group as the accountable person should consider the following;

The group applies customer due diligence and record keeping requirements and applies internal controls and measures in accordance with the requirements of this Act

Implementation of the measures above is supervised at a group level by a competent authority

A higher country risk is adequately mitigated by the group's anti money laundering and combating of TF of policies.



# Cross Boarder correspondent banking relationships.



The responsibility for customer identification and verification remains on the accountable person.

Ensure document data or information collected under CDD process are kept up to date

# Risk Assessment.



Take appropriate steps to identify , assess and monitor its money laundering and TF risks.

Take appropriate measures to manage and mitigate the risks that may arise in relation to;

Development of new products and new business practices (including new delivery mechanisms for products and services

Ensure document data or information collected under CDD process are kept up to date

# Record keeping requirements.



Records relating to ?

Records on identity of a person obtained in accordance with CDD measures.

All transactions both domestic and international carried out by tit and correspondence

All reports made to the Authority under this Act, including the accompanying documentation.

Any inquiries relating to money laundering and TF take appropriate steps to identify , assess and

# STR Reporting

If has reasonable grounds to suspect that a transaction or attempted transaction involves proceeds of crime or funds linked to ML.



# Other requirements



- Transaction monitoring

There is need for increased use of innovative AML/CFT technologies to identify risks. Therefore, there is need for knowledge and analytical skills of human experts.

- Comprehensive policies and procedures

Should be updated annually and should provide for amendment of customer risk profiles and scenarios changes in risks to reflect the controls to mitigate the risks.

- Complete compliance function
- Audit.

# Other requirements



Complete compliance Function includes;

- capable of articulating matters of importance to senior and executive management, and the Board , particularly significant changes that may present risk to the organization,
- Matters on sudden or substantial increase in STRs.

# Other requirements



Complete compliance Function includes;

- ✓ Other items of concern that need to be escalated to management may include changes to laws or regulations that may require immediate action.
- ✓ A compliance officer must have the skills necessary to be able to analyze and interpret these ongoing changes, determine what effect they may have on the institution and suggest an action plan when appropriate



# Other requirements



There is need for delegation of duties:

Senior management acts on behalf of the Board therefore Board needs ensure:

Program management(Head Compliance)

- Coordinate regulatory examinations
- Conduct periodic review and updates to the AML Program
- Coordinate implementation of AML activities

# Other requirements



The program manager should ensure segregation of duties below;

## 1. KYC

Assign risk codes to clients

Perform CDD on high risk clients

1<sup>st</sup> line contact of business questions

## 2. Sanction screening

Manage soft ware

Fine tune thresholds in accordance with the changes in risk profile

Review suspected matches and report valid matches.

## 3. Transaction monitoring

Manage the monitoring software and maintain extensive information required

## 4. Financial Investigations

Monitor alerts generated

# Principle of proportionality



The FIA together with the supervisory authority will assess the entity adherence to the AMLA proportionately relative to its nature, scale and complexity.

Elements are considered collectively rather than individually e.g. an entity may be relatively small in scale but with extremely complex business and, therefore be required to maintain a sophisticated risk management frameworks.

Nature includes the relationship between the clients and the entity

Scale includes the size aspects such as volume of business or size of balance sheet

Complexity includes items such as organizational structures and ease of information transmission through the business lines

# Supervisors understanding of risk



1

Assessing  
inherent risk

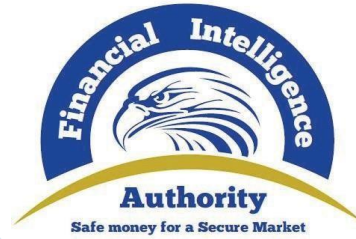
2

Assessing  
mitigation  
efforts

3

Assessing  
residual risk

# Mitigation efforts



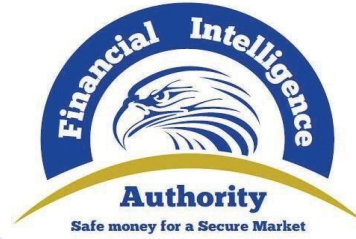
## Assessing mitigation efforts

- AML/CFT systems or controls are the measures in place within an entity to mitigate ML/TF risks

To assess entities' AML systems and controls in a holistic manner, supervisors consider the adequacy of the:

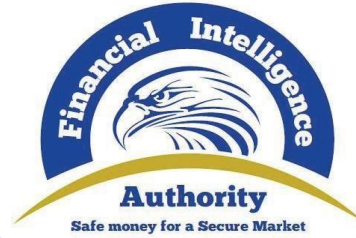
- oversight by board and senior management
- number of qualified/experienced staff with appropriate
- AML/CFT policies and procedures and conflicts with other policies and procedures, e.g., remuneration based on turnover

# Mitigation measures



- risk management function
- compliance function
- internal controls (e.g., CDD, record keeping, transaction monitoring, etc.)
- management of information systems
- independent testing (internal and external audit), and
- training provided to staff on AML/CFT

# Risk Assessment



The Board must take steps to strengthen their understanding of the risks they are exposed to

- Overall risk profile
- Customer risk profile
- Product risks
- Geographical risks

Senior management should ensure that key roles are assigned regarding risk management, internal audit, compliance and provide the Board with accurate, adequate and timely information to enable them carry out their duties.

The findings of the risk assessment have to be disseminated to management and all staff including the branches

# Corporate Governance



Demands regular risk assessments by management and the Board to identify vulnerabilities and risks related to Money laundering and terrorism financing.

Includes assessing risks to the business , its customers, products (transactions)

Assessing the existence of sound and prudent business conduct ,( prudential objectives) and the robust AML/CFT controls in place

The Board must have adequate powers and resources to discharge its duties fully and effectively. In addition Board such as sufficient funding of staff to build capacity AML/CFT.



# Corporate Governance



In addition Board should have access to services of external consultants or specialists where necessary or appropriate (expert judgment) in order to make informed decisions.

Board plays a critical role in ensuring AML/CFT compliance,

Its responsible for setting corporate strategy , reviewing and monitoring managerial performance and determine the acceptable level of risk.

Board delegates tasks to committees however this does not absolve its ultimate responsibilities. Should ensure that business is effectively directed , a managed and conducted

# Challenges

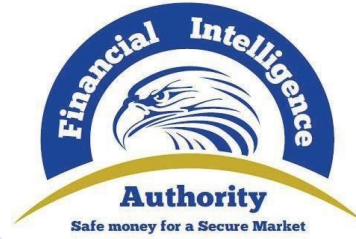


One of the challenges to hindering effective implementation of AML/CFT measures is poor understanding of ML/TD threats and risks

Decision making based on inadequate risk assessments is some times inaccurate and irrelevant, relying heavily on human input and defensive box ticking approaches to risk The Board must take steps to strengthen their understanding of the ML/TF risks they are exposed to.

Inability to adequately identify, assess and mitigate ML/TF risks including the fundamental elements of risk identification such as customers identification and verification and monitoring of transactions poses an obstacle to effectiveness in AML/CFT

# Challenges



Poor risk assessment undermines effective implementation of AML/CFT measures.

Inadequate due diligence conducted

Lapses in sanction screening

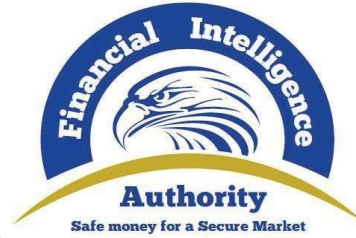
Storage of records at branches (No data management systems and fire extinguishers to prevent loss)

# Challenges



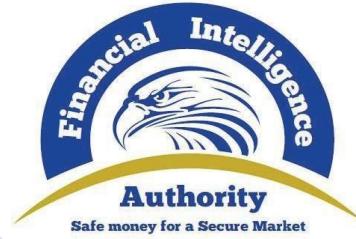
- Failure to perform thorough review of all flagged alerts by the transaction monitoring system
- The transaction monitoring parameters are not aligned with the risk profile of the customers
- Lapses in transaction monitoring parameters weakens the ability to identify and investigate suspicious transactions

# Post onsite review .



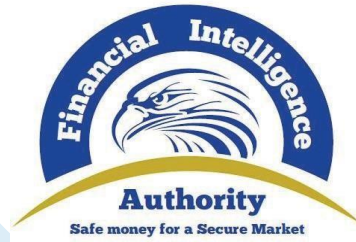
- FIA Supervisory authorities should conduct a risk assessment on new products and technologies.
- All Financial institutions to conduct a risk assessment on new products and technologies prior to their launch.
- FIs to develop measures to mitigate the risks in respect of new products and technologies.
- Apply a risk-based approach to ensure that measures to mitigate ML/TF risks are commensurate with the risks identified.

# Post onsite review .



- FIs should ensure that they apply a risk-based approach to ensure that measures to mitigate ML/TF risks are commensurate with the risks identified.
- Ensure application of the measures highlighted in the circulars regarding high risk jurisdictions (increased monitoring) and provide feed back to FIA.
- Supervisory Authorities to conduct sectoral risk assessment and improve on the risk assessment tool to separate ML aspects from TF

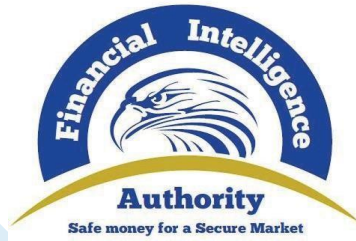
# Role and Responsibility of the Board



1. Protect the Financial Institution from being used for ML purposes.
2. Be aware of the Financial Institution's AML/CFT programs and activities.
3. Support senior management in implementing AML/CFT efforts.
4. Don't ignore or downplay indications that Financial Institution clients may be involved in illegal or illicit activities.
5. Conduct an annual review and approval of all AML/CFT and related policies, along with the appointment of MLCO Officer.
6. The Board should be vigorous, independent watchdog to ensure that management implements AML/CFT measures.



# Role of Management

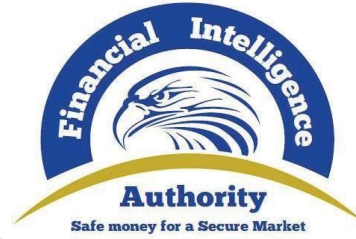


1. Implement AML and KYC procedures approved by the board and ensure regulatory compliance on a day-to-day and long term basis
2. Ensure employees, New staff are properly trained, have access to AML and KYC policy and are equipped with appropriate tools to handle ML, and Suspicious Transactions.
3. Establish adequate internal control systems to prevent and detect suspicious transactions and money laundering activities.
4. Ensure there is timely escalation and reporting mechanism of all suspicious transactions to the FIA or Supervisory Body as per the AML/CFT Policy.
5. Establishing a culture of AML/CFT compliance with in the Organization and by ensuring that ML/TF risk is understood throughout the organisation



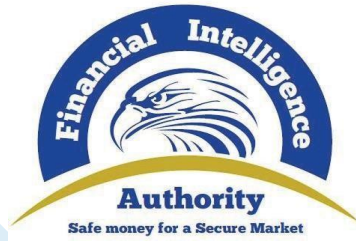


# Supervisory oversight



In assessing the existence of sound and prudent business conduct , the supervisory authorities will consider both the prudential objectives and the robust AML/CFT controls in place.

# Supervisory oversight



Ensure improved real time monitoring and information exchange with supervisory authorities to enable more informed oversight of regulated entities , helping to improve supervision.





***Thank You!***