AML/CFT Key Areas Review

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Customer Due Diligence & Risk Rating Clients
Keeping Records
Role of the MLCO & MLRO
Staff Training
Risk Assessment of Business
Implementation Plan
Customer Due Diligence

• Need to establish ‘Know Your Customer’ (KYC) and Customer Acceptance Policies

• KYC - Source of Wealth, Customer identification, expected activity, rationale of account etc.

• Customer Acceptance – Type of Person (individual / Corporate), Country of origin / residence/operation etc.

• Ongoing monitoring requirements – obligation to report suspicious transactions that does not fit the expected customer activity
Risk Rating Clients

What is the Risk to your business by holding this account?

What costs will be incurred by maintaining the account? – does the margin justify its maintenance?

Are you equipped (staff/systems) to maintain accounts that are perceived to be ‘High Risk’?

RISK v REWARD?
Risk Profiling Policy

INDIVIDUALS

• Citizenship
• Place of Birth
• Residence
• Employment
• Source of Funds/Wealth
• Purpose of Account
• History
LEGAL ENTITIES

• Place of Incorporation
• Already Regulated? – if so – what standard?
• Type of Business
• Assets
• Private or Public
• Local Presence?
Higher Risk

- Trusts, Nominees
- Fiduciaries, Correspondent Accounts
- Offshore Companies
- Politically Exposed Persons (PEPs)
- Introduced Accounts
- Non-Profit Organisations (Charities)
- Non-Resident Accounts
What Risks are there if there are not well drawn up KYC /Customer Acceptance and Risk Profiling Policies in place?

- Reputational Risk
- Legal Risks
- Regulatory Risks
- Operational Risks
- Concentration Risks
Keeping Records

• Policies

• Key Documentation:-
  – Customer KYC
  – Acceptance process
  – Suspicious Activity Reports (internal/external)
  – Training
  – Board Reporting
  – Records to be kept for 10 Years
Appointment of MLRO

MLRO

Investigates internal AML suspicious activity reports and makes the appropriate decision/action to report to the MOT

Deputy appointment in case of absence
Appointment of MLCO

**MLCO**

Ensures the firm is complying fully with the firm’s legal requirements under the Law (staff training, systems and controls, procedures being followed etc.) and reports to the Board

MLRO & MLCO can be the same person depending on size of business
Staff Training

**ALL** Staff to be trained in AML – fitting to role and responsibilities within the firm to include:

- Generic overview of AML/CTF
- Internal Reporting requirements
- Legal Responsibilities (individual/employer)

Records maintained to show training conducted and that persons have been tested on their understanding.
AML/CFT
Risk Assessment of Business

• What is your view on the Risks to your business?
• What services and products do you offer?
• Where is your client base?
• Have you the right infrastructure in place to combat AML/CFT
• Where do you do business?
AML/CFT
Risk Assessment of Business

• What products & services do you offer?
• What future markets are intended to be entered?

Do you consider your business as a Low or High risk for AML/CFT activities?

MUST BE DOCUMENTED
BOARD AGREEMENT
First Step

Management should prepare a plan for implementation:-

- Review & document – KYC, Customer Acceptance Policy and Account opening processes– minimum ID requirements, Client Target Profile, Account opening check lists, sign-off authorities to open etc.
Next Step

• Document a Risk Rating policy for customers – consider various factors (Citizenship, Residence, Place of Birth, Employment, Source of funds/wealth, purpose of account, history, politically exposed?, Corporate entity?, Charity? etc.)
Next Step continued

• MLRO/MLCO Appointment – Job description, monitoring programme, template for Board Reporting, internal/external Suspicious transaction reporting, segregation of duties, deputies?

• Staff Training – appropriate course for the role carried out i.e. Junior admin. Staff – Basic AML course, Customer Relationship Officers / Senior Admin./Operational Staff more advanced, Directors and Management – Comprehensive
Next Step continued

• Risk Review of Business – documented and agreed by Board
• Plan to deal with retrospective review of existing Client base – gap analysis of missing information, allocate resources, time scale?
• Review of Staff recruitment process – vetting procedures