



AML/CFT 101

CFATF Secretariat Research Desk
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What are DNFBPs?



Designated Non-Financial Businesses and Professions (DNFBPs)

DNFBPs refer to:

- a) Casinos (References to Casinos throughout the FATF Standards include internet- and ship-based casinos.)
 - b) Real estate agents.
 - c) Dealers in precious metals.
 - d) Dealers in precious stones.
 - e) Lawyers, notaries, other independent legal professionals and accountants – this refers to sole practitioners, partners or employed professionals within professional firms.
- It is not meant to refer to ‘internal’ professionals that are employees of other types of businesses, nor to professionals working for government agencies, who may already be subject to AML/CFT measures.

What are DNFBPs?

* Source: [FATF Recommendations](#)



What are DNFBPs? (cont'd)

- f) Trust and Company Service Providers refers to all persons or businesses that are not covered elsewhere under the FATF Recommendations, and which as a business, provide any of the following services to third parties:
- acting as a formation agent of legal persons;
 - acting as (or arranging for another person to act as) a director or secretary of a company, a partner of a partnership, or a similar position in relation to other legal persons;
 - providing a registered office; business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement;
 - acting as (or arranging for another person to act as) a trustee of an express trust or performing the equivalent function for another form of legal arrangement;
 - acting as (or arranging for another person to act as) a nominee shareholder for another person.



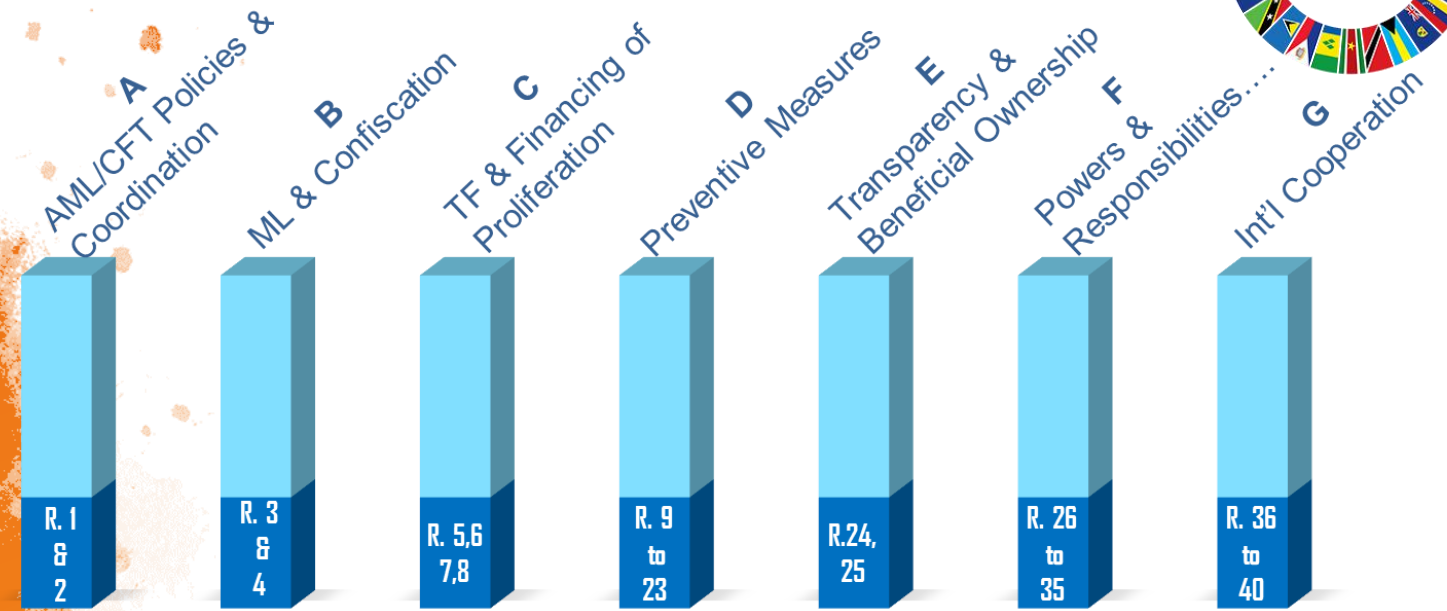
Designation of activities as DNFBPs

**Did you
know?**

- In addition to the list of activities noted in the previous slides, a country can decide to apply some of the FATF Recommendations requiring DNFBPs to take certain actions to other activities, based on the country's risk and context.
- For example, some countries classify Motor Car Dealerships as DNFBPs.



Did you know? (cont'd)

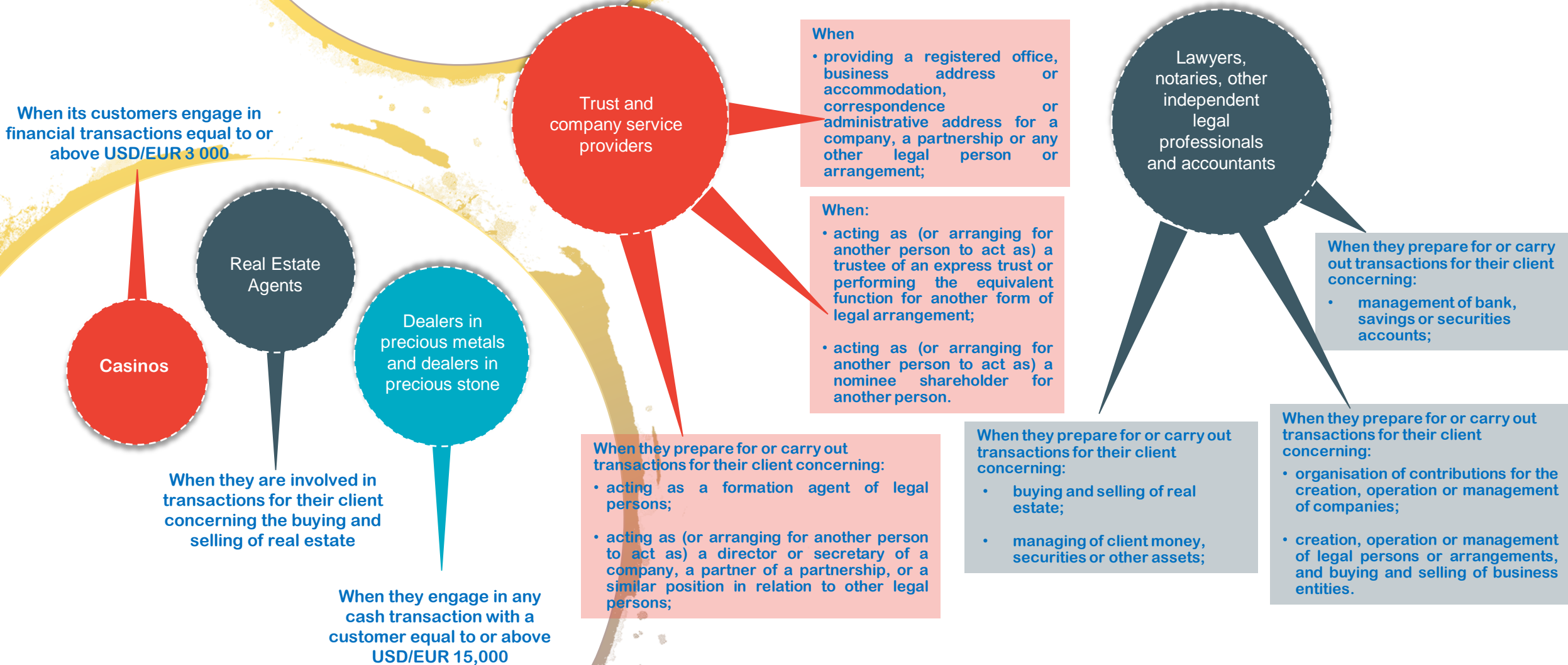


- The FATF Recommendations relating to DNFBPs (Recs 22 and 23) fall into the category of “Preventive Measures”.



Rec. 22- DNFBPs: Customer Due Diligence

The customer due diligence and record-keeping requirements set out in Recommendations 10, 11, 12, 15, and 17, apply to (DNFBPs) in the following situations:





Rec. 22- DNFBPs: Customer Due Diligence (cont'd)

In the situations set out in Recommendation 22, as outlined in the previous slide, DNFBPs should be required to comply with the requirements related to the following:

- Record-keeping as set out in Recommendation 11.
- Politically Exposed Persons as set out in Recommendation 12.
- New technologies as set out in Recommendation 15.
- Reliance on third-parties as set out in Recommendation 17.



Rec. 23- Other Measures

REPORTING SUSPICIOUS TRANSACTIONS



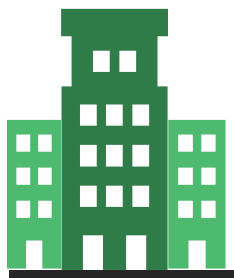
The requirements to Report Suspicious Transactions (STRs) set out in recommendation 20 should apply to all DNFBPs subject to the following qualifications:

- a) **Lawyers, notaries, other independent legal professionals and accountants** – when, on behalf of, or for, a client, they engage in a financial transaction in relation to the activities described in criterion 22.1(d) above (on slide 6).

NOTE: They are not required to report STRs if the relevant information was obtained in circumstances where they are subject to professional secrecy or legal professional privilege. It is for each country to determine the matters that would fall into these categories.

- b) **Dealers in precious metals or stones** – when they engage in a cash transaction with a customer equal to or above USD/EUR 15,000.

- c) **Trust and company service providers** – when, on behalf or for a client, they engage in a transaction in relation to the activities described in criterion 22.1(e) above (on slide 6).



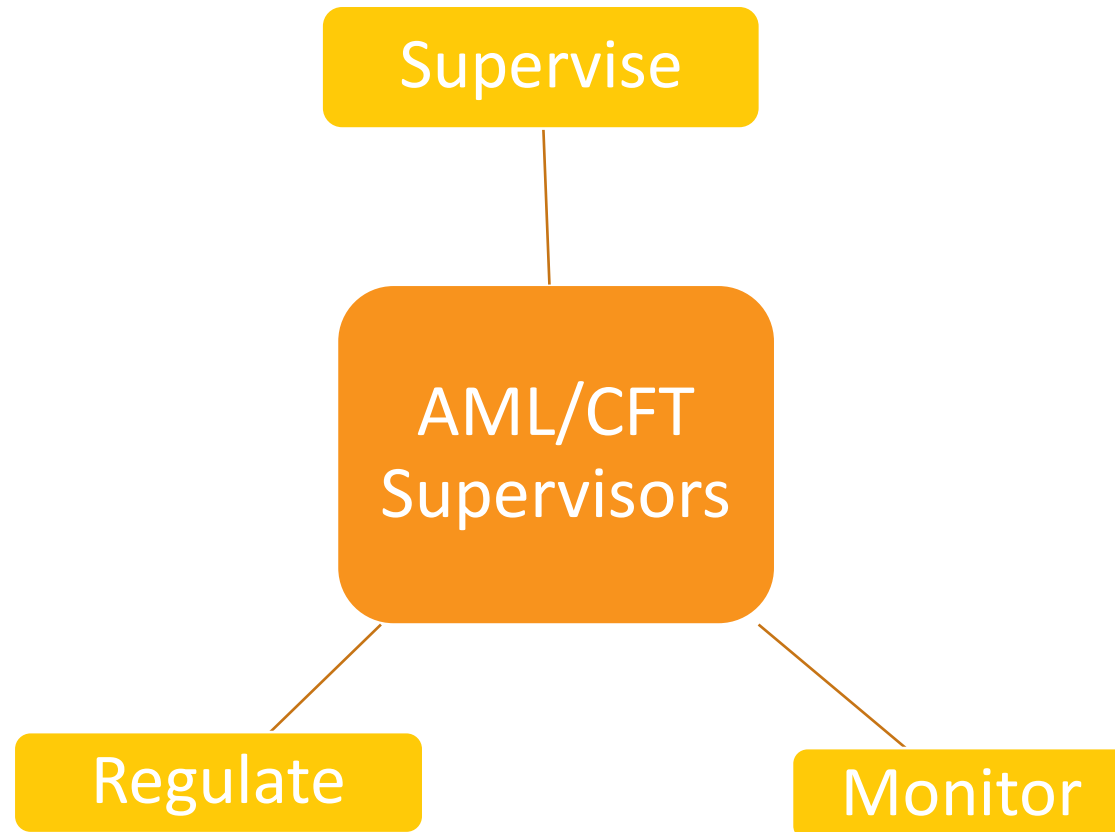
Rec. 23- Other Measures



In the situations set out above, DNFBPs should be required to comply with the following:

- The internal controls requirements set out in **Recommendation 18**.
 - The higher-risk countries requirements set out in **Recommendation 19**.
 - The tipping-off and confidentiality requirements set out in **Recommendation 21**.
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- It should be noted that where lawyers, notaries, other independent legal professionals and accountants acting as independent legal professionals seek to dissuade a client from engaging in illegal activity, this does not amount to tipping-off.

Rec. 28- Regulation and Supervision of DNFBPs



DNFBPs as well as FIs and VASPs should be subject to effective regulatory and supervisory measures.

Supervisors should have effective, proportionate, and dissuasive sanctions in line with Recommendation 35 available to deal with failure to comply with AML/CFT requirements.



Rec. 28- Regulation and Supervision of DNFBPs (cont'd)



For example, Casinos

Should be licensed; Should have Measures to prevent criminals or their associates from holding, or being the beneficial owner of, a significant or controlling interest, holding a management function in, or being an operator of, a casino; and Countries should Ensure that casinos are effectively supervised for compliance with AML/CFT requirements.



ML/TF Risks

Supervision of DNFBPs should be performed on a risk-sensitive basis, including:

(a) determining the frequency and intensity of AML/CFT supervision of DNFBPs on the basis of their understanding of the ML/TF risks, taking into consideration the characteristics of the DNFBPs, in particular their diversity and number; and (b) taking into account the ML/TF risk profile of those DNFBPs, and the degree of discretion allowed to them under the risk-based approach, when assessing the adequacy of the AML/CFT internal controls, policies and procedures of DNFBPs.



Risk- Based Supervision

Compliance with AML/CFT Requirements



Remedial Actions

Effective, Proportionate, Dissuasive Sanctions



Promoting a Clear Understanding

AML/CFT Obligations and ML/TF Risks



Role of DNFBP Supervisors/Regulators

- Ensure DNFBPs are effectively implementing their obligations.
- Identify & maintain an understanding of the ML/TF risks (i) in the financial and other sectors as a whole, (ii) between different sectors and types of institutions and (iii) of individual institutions.
- Review the ML and TF risks profiles and risk assessments prepared by DNFBPs.
- Ensuring DNFBPs are effectively implementing their obligations with respect to:
 - ✓ Risk Based implementation of mitigating measures / policies/ procedures
 - ✓ Beneficial Ownership (identification)
 - ✓ CDD and Record-keeping



How DNFBPs Contribute to an Effective National AML/CFT Framework

- Robust AML/CFT/CPF policies & procedures
- High quality Suspicious Activity Reports (SARs) filed with the FIU: SAR identification (by whom, how); What is the process?; How long does it take?;
- Implementation of Targeted Financial Sanctions (TF&PF)
- Quality of onsite inspection & AML/CFT external audit
- Number, severity of deficiencies, remediation

FATF GUIDANCE



The FATF has published risk-based guidance which provide comprehensive best practices on how its member jurisdictions and the private sector should implement the FATF requirements regarding DNFBPs: Accountants, Legal Professionals and Real Estate Agents.

The following is a list (hyperlinked for easy access) of some of the guidance that are useful to countries in the fight against ML/TF:

- [FATF Guidance on the Risk-Based Approach for Accountants](#)
- [FATF Guidance on the Risk-Based Approach for Real Estate Agents](#)
- [FATF Guidance on the Risk-Based Approach for Legal Professionals](#)