



# How FIs and DNFBPs Contribute to an Effective National AML/CFT Framework

CFATF Secretariat Research Desk

September 29, 2021



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# What is a National AML/CFT Framework [1]

- Comprehensive laws, policies and procedures to combat Money Laundering (ML) and Terrorist Financing (TF).
- Usually spearheaded by a National Anti-Money Laundering Committee (NAMLC) which is a multi-sectorial group made up of a number of key stakeholders.
- A NAMLC also ensures that the relevant agencies including Supervisory Authorities / Regulators, Law Enforcement, Prosecutions and the Attorney General's Office develop sound AML/CFT policies and procedures to be used within their various sectors.



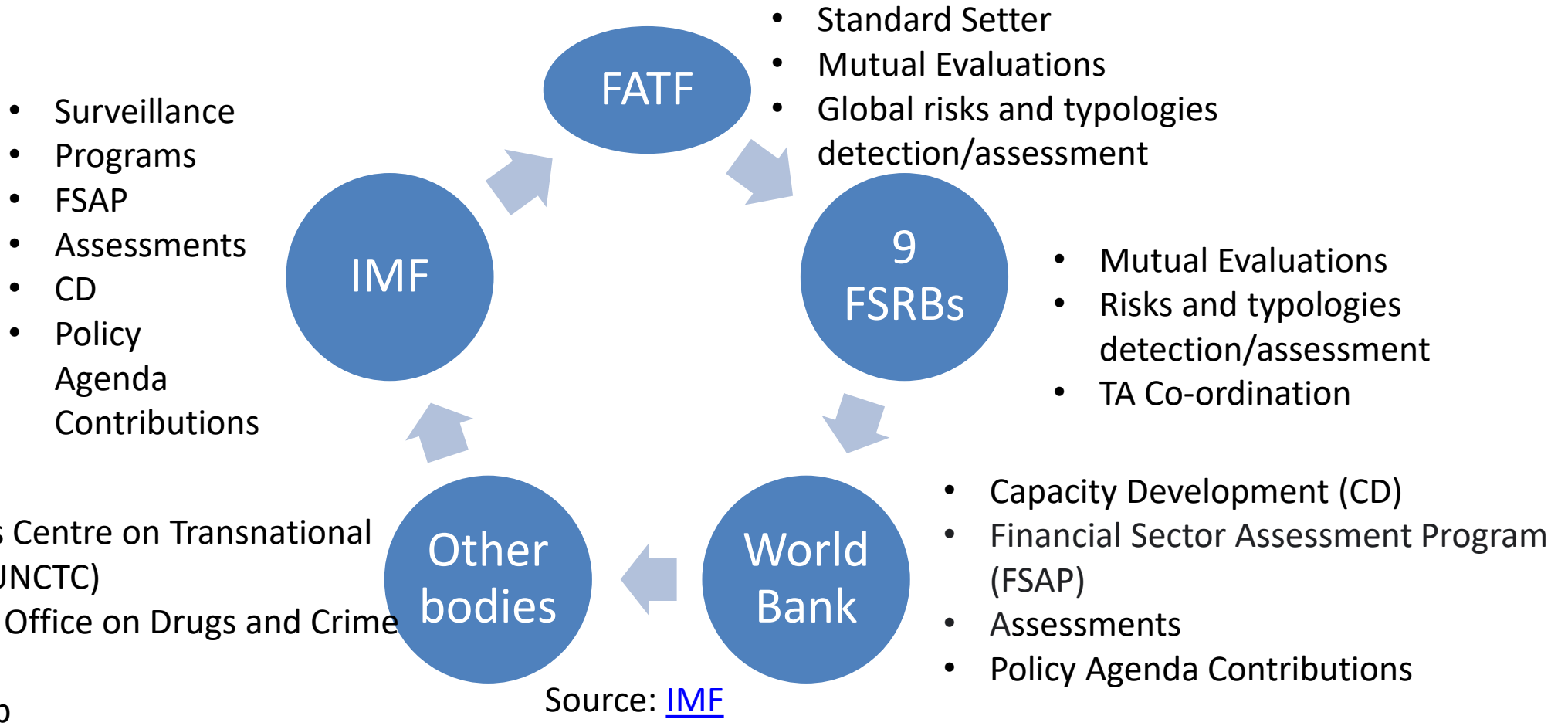
# What is an Effective National AML/CFT Framework [1]

## National AML/CFT Framework

- The mechanism(s) or bod (ies) the authorities use to ensure proper and regular co-operation and co-ordination of the national framework and development and implementation of policies to combat ML/TF, at both policymaking and operational levels (and where relevant, the financing of proliferation of weapons of mass destruction).
- Countries have to implement and utilize the appropriate laws, regulations and other measures that have been adopted. Effective implementation in the initial stages of AML/CFT enforcement - the most important part of the implementation – is critical. Without suspicious transaction reports, viable and effective investigation, and good control of the proceeds of crime, it is obviously hard to achieve justice in prosecution.



# What is an Effective National AML/CFT Framework [2]





# What is a National Risk Assessment (NRA)?



- Process for the identification, assessment and understanding of risk:
  - National, sectoral and institutional
  - No defined method
- The importance of getting it right-
  - Mitigation measures commensurate with level of risk
- Risk Based allocation of resources based on prioritized areas identified in strategy, policies, action plans.



# Stakeholders in the NRA



- Joint effort between relevant ministerial bodies, supervisors, law enforcement authorities, FIU, regulators, financial institutions etc.
- Up-to-date and accurate information and intelligence enabling relevant authorities to make well-informed judgments.
- Requires an in-depth analysis of the national circumstances.
- Dissemination of results and information sharing with all stakeholders.



# Immediate Outcome 4- Characteristics of an effective system

- FIs and DNFBPs understand the nature and level of their ML/TF risks
- Develop and apply AML/CFT policies (including group wide policies), internal controls, and programmes to adequately mitigate those risks
- Apply appropriate CDD measures to identify and verify the identity of their customers (including beneficial owners)
- Conduct ongoing monitoring
- Adequately detect and report suspicious transaction
- Comply with other AML/CFT requirements.





# Immediate Outcome 4 – Core Issues [1]

4.1 How well do FIs, DNFBPs and VASPs understand their ML/TF risk and AML/CFT obligations?

4.2 How well do FIs, DNFBPs and VASPs apply mitigating measures commensurate with their risks.

4.3 How well do FIs, DNFBPs and VASPs apply CDD and record keeping measures (including beneficial ownership information and ongoing monitoring) To what extent is business refused when CDD is incomplete.



# Immediate Outcome 4 – Core Issues [2]

4.4 How well do FIs, DNFBPs and VASPs apply enhanced or specific measures for (a) PEPs (b) correspondent banking (c ) new technologies (d) wire transfer rules (e) targeted financial sanctions relating to TF and (f) higher risk countries identified by the FATF?

4.5 To what extent do FIs, DNFBPs and VASPs meet their reporting obligations on the suspected proceeds of crime and funds in support of terrorism? What are the practical measures to prevent tipping off?

4.6 How well do FIs, DNFBPs and VASPs apply internal controls and procedures (including at financial group level) to ensure compliance with AML/CFT requirements? To what extent are there legal or regulatory requirements impeding its implementation?



# How FIIs, DNFBPs and VASPs 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;



# CFATF members performance on relevant Recs

Jurisdiction	Rec 10- CDD	Rec 11- Record Keeping	Rec 12- PEPs	Rec 15- new technologies	Rec 17- reliance on third parties	Rec 22- DNFBPs: CDD	Rec 23- DNFBPs: Other measures	Rec 26- Regulation and Supervision of FIs	Rec 27- Powers of supervisors	Rec 28- regulation and supervision of DNFBPs
<a href="#">Antigua and Barbuda</a>	LC	LC	LC	C	C	PC	LC	LC	LC	PC
<a href="#">Barbados</a>	LC	C	LC	PC	LC	LC	PC	C	C	LC
<a href="#">BERMUDA</a>	C	C	LC	C	C	C	C	LC	C	C
<a href="#">Cayman Islands</a>	LC	C	C	LC	LC	C	C	C	C	C
<a href="#">Haiti</a>	PC	PC	PC	PC	NC	NC	NC	NC	PC	NC
<a href="#">Jamaica</a>	LC	LC	C	PC	LC	PC	PC	PC	PC	PC
<a href="#">St Lucia</a>	PC	LC	PC	PC	PC	PC	PC	NC	PC	PC
<a href="#">The Bahamas</a>	C	LC	PC	LC	C	PC	LC	PC	PC	PC
<a href="#">Trinidad and Tobago</a>	C	C	C	C	C	C	C	C	LC	PC
<a href="#">Turks and Caicos Islands</a>	PC	C	C	PC	PC	PC	PC	PC	C	PC



# Challenges faced by CFATF Members

- CFATF members have some identified deficiencies in the effective implementation of an RBA approach to AML/CFT supervision of either FIs and/or DNFBPs. These include the provision of and alignment of resources with AML/CFT risks for supervisory authorities, the development of risk-based supervisory regimes for some FIs but mostly DNFBPs (four countries), implementation of risk-focused examinations and identification and maintenance of sectoral AML/CFT risks.
- Regarding Tools for effective supervision, the main deficiency with AML/CFT supervision is the need to increase its remit to include all relevant DNFBPs. Some countries need to expand AML/CFT supervision to DNFBPs including in one instance the gaming sector while another needs to appoint supervisory authorities for lawyers and real estate agents.
- With reference to successful outreach guidance to reporting entities, the development of AML/CFT guidance particularly for DNFBPs is recommended for some countries while outreach to specific reporting entities is recommended for other jurisdictions.

**Source: FATF Pilot Project**



# 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](#)