FINANCIAL SERVICES COMMISSION

17-June-2019 **REF: AML-2019/1**

REGULATORY REMINDER

FREQUENTLY ASKED AML/CFT QUESTIONS

1. **What is Money Laundering?**

   Money Laundering is the process by which illegal funds and assets are converted into legitimate funds and assets. Refer to Section 5 of the Money Laundering and Financing of Terrorism (Prevention and Control) ACT, 2011-23 **(MLFTA**).

2. **What is Financing of Terrorism?**

   Financing of Terrorism is the provision of funds or financial services with the intention or knowledge that the funds or services are to be used to support individual terrorists or terrorist groups. Refer to Section 4 of the Anti-Terrorism Act, 2002 Cap. 158.

3. **What is the difference between Money Laundering and Terrorist Financing?**

   Money Laundering involves the disguising of fund derived from illegal activity so they may be used without detection of the illegal activity whereas terrorist financing involves the use of legally derived money to carry out illegal activities.

4. **What is the proliferation financing?**

   The Financial Action Task Force defines proliferation of weapons of mass destruction (**WMDs**) as the transfer and export of nuclear, chemical or biological weapons, their means of delivery and related materials. Proliferation financing is the act of providing funds or financial services which are used, in whole or in part, for the foregoing.

5. Why do I need to perform Anti-Money Laundering checks?

The Anti-Money Laundering laws oblige you to carry out customer due diligence for new clients, but also update all existing clients by assessing their identity.

It also extends to Beneficial Owners of corporations and Politically Exposed Persons (**PEPs**). The quality and consistency of customer due diligence to verify the identity of clients, the source of funds, beneficial owners and the nature of business transactions will be paramount.

6. What financial institutions does the MLFTA apply to?

A person who conducts as a business one or more of the activities listed in the First Schedule of MLFTA and includes:

a) a person who operates an insurance business within the meaning of the Insurance Act;
b) a market actor, self-regulatory organisation, participant and issuer of securities within the meaning of the Securities Act;
c) a mutual fund and mutual fund administrator within the meaning of the Mutual Funds Act or any person who manages a mutual fund; and
d) a credit union within the meaning of the Co-operative Societies Act.

7. What am I required to do?

a) Identify and verify the identity of your customers and of their beneficial owners, and monitor the transactions of and the business relationship with customers.

b) Report suspected money laundering or terrorism financing to the public authorities and take supporting measures, such as ensuring the proper training of personnel and the establishment of appropriate internal preventive policies and procedures.

8. Why is AML/CFT important?

a. To protect the financial system;
b. To prevent criminals from enjoying the proceeds of crimes;
c. To prevent criminals from building formidable economic powers and challenging the stability of the financial system.

9. What is a risk based approach to AML/CTF?

The risk-based approach requires an assessment of the risk posed by the nature, size and complexity of the FI and the implementation of appropriate mitigation measures, while maintaining an overall effective programme.

10. How should I conduct my risk assessment?

When conducting the risk assessment, FIs should identify those business areas that may be susceptible to ML/FT risk, taking into account, at a minimum:

a) The nature, diversity and scale of the business activities;
b) The complexity, volume and size of transactions;
c) The degree of risk associated with each area of operation;
d) Type of customers (e.g. whether ownership is highly complex, whether the customer is a PEP, whether the customer's employment income supports account activity, whether customer is known to other members of the financial group);
e) The risk profile and number of customers identified as high risk;
f) Type of product/service offered(e.g. regular savings, one-off transaction, mortgage, annuity contract, brokerage account);
g) Delivery channels (e.g. whether internet business, wire transfers to third parties, remote cash withdrawals);
h) Geographical area (e.g. whether business is conducted in or through jurisdictions with high levels of drug trafficking or corruption, whether the customer is subject to regulatory or public disclosure requirements);
i) The internal audit and regulatory findings;
j) The development of new products, new business practices and new or developing technologies for both new and pre-existing products; and
k) Value of account and frequency of transactions.