

**CIRCULAR**  
**INDEPENDENT AML/CFT AUDIT**

**WHAT IS AN INDEPENDENT AML/CFT AUDIT?**

An independent audit is an impartial assessment of your AML/CFT Compliance Programme and it should test and report on the following<sup>1</sup>:

- Is the Risk profile of the Financial Institution (FI) up to date?
- Is the Risk Assessment accurate and aligned with the financial institution's risk profile (products, services, geography)?
- Are the FI's policies and procedures aligned with its risk profile?
- Does the FI adhere to its policies and procedures?
- Is the FI's overall process of identifying suspicious activity sufficient<sup>2</sup>?
- Is the FI's record-keeping process sufficient?
- Are the FI's Information Technology (IT) sources/systems accurate, and do they support the AML/CFT programme?
- Does the FI provide targeted and ongoing training for all personnel?
- Has the FI's management take timely action to address deficiencies noted in previous audits?

**WHO CAN CONDUCT THE INDEPENDENT AML/CFT AUDIT?**

- Your Internal Audit Department or internal auditor; or
- A person or firm not involved with the audit/accounting function of the FI.

**CAN THE PERSON WHO ACTS AS COMPLIANCE OFFICER CONDUCT THE INDEPENDENT AUDIT?**

- The entity or person who designs, formulates, implements or updates the AML/CFT/PF program cannot also be the person who conducts its independent review/audit. The FSC seeks to ensure that persons engaged in conducting the independent review/audit of the AML/CFT/PF program must be free from the influence of the person(s) who created or implemented a portion or the whole of the AML/CFT/PF program and independent.

---

<sup>1</sup> This is not an exhaustive list, rather a guide to be used to determine what type of questions should be asked.

<sup>2</sup> To meet the needs and requirements of the AML/CFT Programme

## **WHEN MUST I SEEK FSC'S APPROVAL?**

Before outsourcing or hiring someone to conduct the independent audit. You should submit the proposed contract, name of the entity and the Curriculum Vitae (CV) of the individual outlining AML/CFT qualifications, training and experience.

## **HOW FREQUENT SHOULD THIS AUDIT OCCUR?**

The FI must consider the nature and the size of its business and its AML risk profile. An Independent AML/CFT Audit of the FI should be conducted with such frequency as is required given the FI's nature, size, and AML risk profile.

The FSC will **no longer stipulate** that **ALL** FIs conduct an independent audit annually. **HOWEVER**, the FSC expects high risk<sup>3</sup> FIs to conduct an audit at least once a year or more frequently if warranted due to material changes in the nature, size, and AML risk profile.

Best practice generally requires that a FI conduct an independent audit every 12-18 months or when there are significant alterations to the institution's risk profile, systems, or processes.

Similarly, medium and low-risk entities must justify the frequency they conduct independent audits and demonstrate that the risk profile warrants the frequency. The FSC may require a FI to conduct an independent audit if it determines this is necessary.

This modifies Paragraph 3.7 of the FSCs prior Regulatory Reminder entitled Risk Based Anti-Money Laundering (AML) and Countering Financing of Terrorism (CFT) Programme issued June 17, 2019.

## **MUST EVERY FINANCIAL INSTITUTION CONDUCT AN INDEPENDENT AUDIT?**

Yes - Every entity must conduct an audit and submit the same to the FSC by December 31 of the year the audit.

## **SUBMISSION OF THE AUDIT FOR 2021**

The FSC is responsive to request from its licensees and registrants. Where a FI is unable to submit its independent audit within the time established by the FSC it should immediately seek an extension providing the rationale for its inability to meet the deadline. Favourable consideration will be given where the circumstances merit it.

## **AN AUDIT CONDUCTED WITHIN THE LAST YEAR (2020-2021) CAN BE SUBMITTED IN SATISFACTION WITH THIS REQUEST.**

---

<sup>3</sup> The risk level (high, medium, low) is determined by the FI's previous Risk Assessment &/ risk designated risk level of the FI assigned by the FSC after an onsite examination or a desk based examination.