

# AML Tuesday's Session #40 on:

AMSF Supervisory Findings for DNFBPs

21 November 2023

# Introduction

# Importance of feedback on Supervisory Findings

- Ensure clear line of communication
- Highlight common weaknesses
- Promote understanding of ML/TF risks
- Awareness of any emerging risks
- Understand the expectations of AMSF
- AMSF will inspect whether such findings have been considered as part of compliance framework
- Review own internal framework and identify if any improvements required
- Improve level of compliance across all sectors
- Avoid supervisory action

# Basis for AMSF's Supervisory Findings

- **In 2023** AMSF has significantly increased its supervisory engagement in particular through:
  - Onsite Inspections
  - Focus on Thematic Inspections
  - Risk and Compliance meetings
  - Ad hoc inspections
  - Increased supervisory data requested by AMSF (in particular Strix Returns)
  - Outreach/workshops with DNFBPs
  - Meetings and ongoing communication with DNFBPs

Through this increased engagement AMSF has obtained a deeper understanding of strengths and weakness in compliance frameworks of DNFBPs.

# How AMSF inform DNFBPs of Supervisory Findings

- Important part of AMSF's supervisory strategy is to ensure that supervisory findings are communicated to DNFBPs.
- This is done in the following ways:
  - ❖ Inspection Report
  - ❖ Supervisory Findings Paper will be issued by AMSF at end of 2023/early 2024 - Note: this will give a fuller picture to DNFBPs
  - ❖ Also discussed during outreach events and workshops
  - ❖ Discussed in Risk and Compliance Meetings and follow up inspections
  - ❖ Formal and informal meetings with DNFBPs.
- Supervisory findings also inform targeted guidance issued by AMSF and future thematic inspections or ad hoc inspections

# Some Examples of Supervisory Findings in DNFBNs in 2023

# AMSF Supervisory Findings

## **Governance, compliance function, AML/CFT policies and procedures**

- Inadequate AML/CFT policies and procedures which do not cover all AML/CFT obligations or do not reflect the obliged entity's practices
- Out of date policies and procedures – no timeframe for review
- Role of AML/CFT compliance function not specified
- The obliged entity's policies and procedures are not always formally approved by a high-level member of the hierarchy

# Some examples of what AMSF expects...

## **Governance, compliance function, AML/CFT policies and procedures**

- Good AML/CFT understanding and appreciation at top
- Senior management review and approval of policies and procedures
- Group policies and procedures – consistent and implemented
- Local policies reviewed and amended in line with new AML/CFT Law and OS
- Comprehensive, specific and up to date AML/CFT policies and procedures which covers all AML/CFT obligations in line with Monegasque requirements
- Adequate AML/CFT resources
- Clearly delineated AML/CFT responsibilities within the DNFBP



# AMSF Supervisory Findings

## **ML/TF Risk Assessment**

- No ML/TF Business Risk Assessment in many cases
- Not comprehensive
- No comprehensive methodology or not aligned with methodology
- Not taking account of new developments or emerging risks
- Not updated/subject to review

# Some examples of what AMSF expects...

## **ML/TF Risk Assessment**

- Comprehensive ML/TF risk assessment
- Regularly reviewed and updated
- Take into account core risk factors: customer risk, product, service and transaction risk, geographic risk, delivery channel risk.
- Comprehensive methodology
- Conclusions supported by quantitative and qualitative data
- Consideration of TFS (TF and PF)
- ML and TF risks differentiated – STRIX survey
- New and emerging risks assessed
- Approval by Senior management

# AMSF Supervisory Findings

## Customer Risk Profile

- No customer risk profiles/incomplete risk profiling/ inadequate risk profiling
- Inadequate risk ratings of high risk customers
- No review of customer risk profile following a change
- No regular review of customer risk profiles

# Some examples of what AMSF expects...

## **Customer Risk Profile**

- Clear criteria for customer risk assessments
- Documented
- Scope of CDD and monitoring based on customer risk profile
- Frequency and scope of CDD review based on risk profile and approved list of triggers

# AMSF Supervisory Findings

## CDD

- Incomplete CDD gathered (in particular proof of address)
- Some DNFBP sectors think CDD already collected by other OEs and therefore no responsibility
- Failure to identify the BO accurately or at all (challenges posed by the use of legal persons and complex structures)
- Customer screening has improved but it is sometimes incomplete and checks are not always formalized.
- EDD not applied
- No review of CDD /not always reviewed

# Some examples of what AMSF expects...

## **CDD**

- Full CDD gathered
- Sanction, PEP and negative media screening prior to establishing business relationship
- Clear procedure to identify and verify BO
- EDD
- Review

# AMSF Supervisory Findings

## Ongoing monitoring and identification of suspicious activity

- Ongoing monitoring not conducted
- Failure to identify repeated transactions even if obliged entities are diligent regarding limits on cash payments and are aware of their obligation in this respect
- Failure to update customer profile and customer due diligence with details received during assessment or investigations.

# AMSF Supervisory Findings

## **Ongoing monitoring and identification of suspicious activity (continued)**

- No RBA
- Number of false positive alerts not clear
- Inadequate screening (country lists)
- Infrequent or incomplete screening of customers and transactions



# Some examples of what AMSF expects...

## **Ongoing monitoring and identification of suspicious activity**

- Customers subjected to ongoing monitoring in line with RBA.
- Enhanced monitoring where required
- Comprehensive analysis of potentially suspicious transactions
- Adequate human resources for monitoring

# AMSF Supervisory Findings

## **Suspicious Transaction Reporting**

- Failure to report or low quality reporting
- Failure to submit additional information on already submitted STRs, when applicable
- The extent of the reporting obligation is not always fully understood
- Inordinate delays in reporting
- Failure to update customer profile and customer due diligence with details received during assessment or investigations

# Some examples of what AMSF expects...

## **Suspicious Transaction Reporting**

- Effective transaction monitoring
- Structured internal process to report suspicious transactions
- Documented
- Attempted and completed transactions
- Written procedure to avoid tipping off - which is followed
- Specific indicators and red flags
- Timely responses to requests for further information
- Training for all employees on suspicious transaction reporting

# AMSF Supervisory Findings

## **Training and Human Resources**

- No training/training not conducted on regular basis/long time since previous training was conducted.
- Training not specific
- May not always include management and board members
- Training not included in policies and procedures
- Not specific or comprehensive enough
- Lack of focus on TF or TFS

# Some examples of what AMSF expects...

## **Training and Human Resources**

- Comprehensive training which is conducted on regular basis
- Specific and targeted to role
- Documented record of training
- Specific training for senior management and Board members
- Training included in policies and procedures
- Adequate AML/CFT resources

# What DNFBP's need to do now....

**Have regard to these findings and review own internal AML/CFT control framework to identify if any improvements required.**



*Thank you for your  
time*

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## Next Session:

05.12.2023

## Topic:

Evolving AML/CFT  
Risks

Today's Host: Jan Bellenghi

Today's Presenter: Elaine Duignan