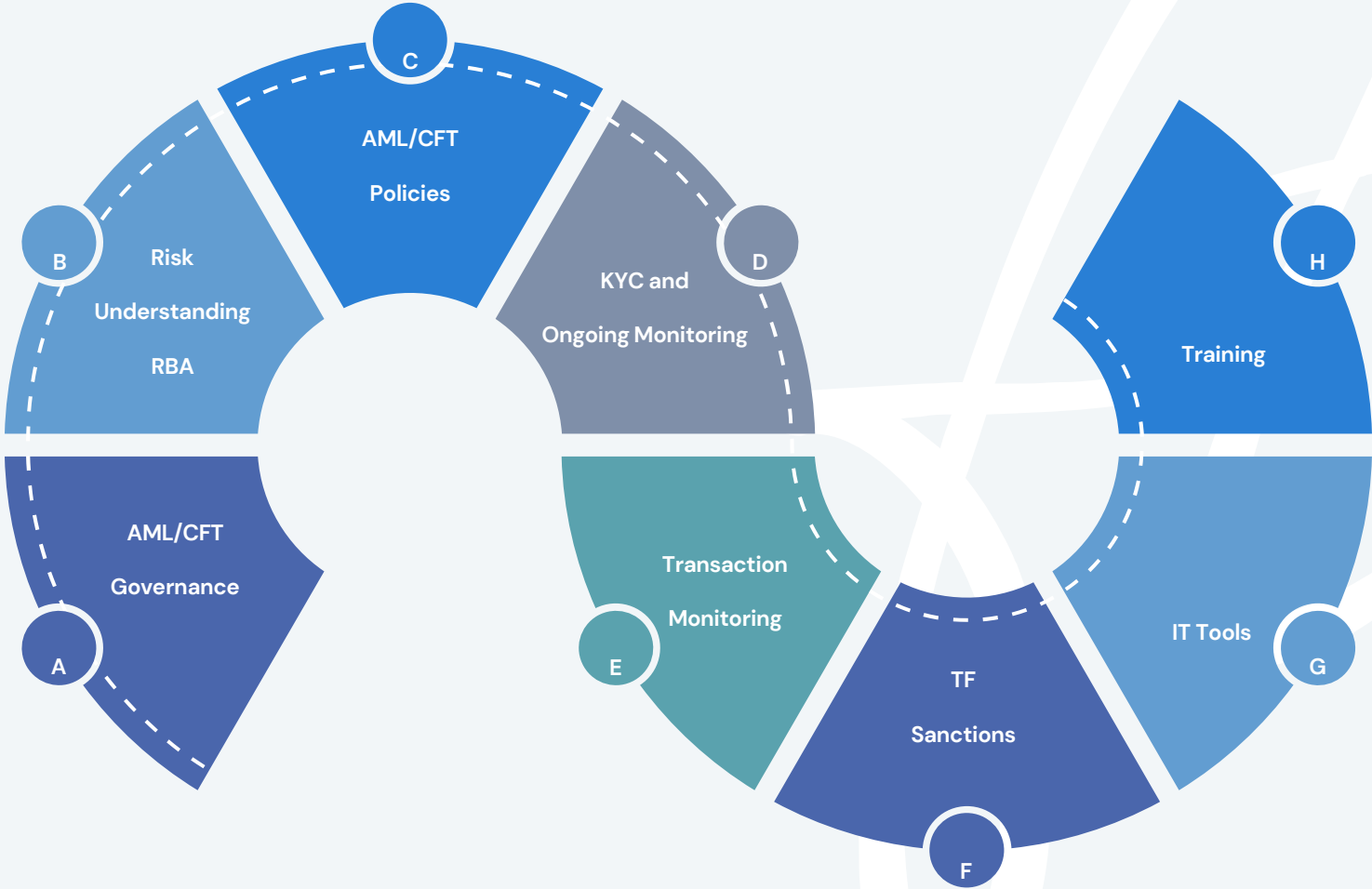


# AML Tuesday's Session #8 on:

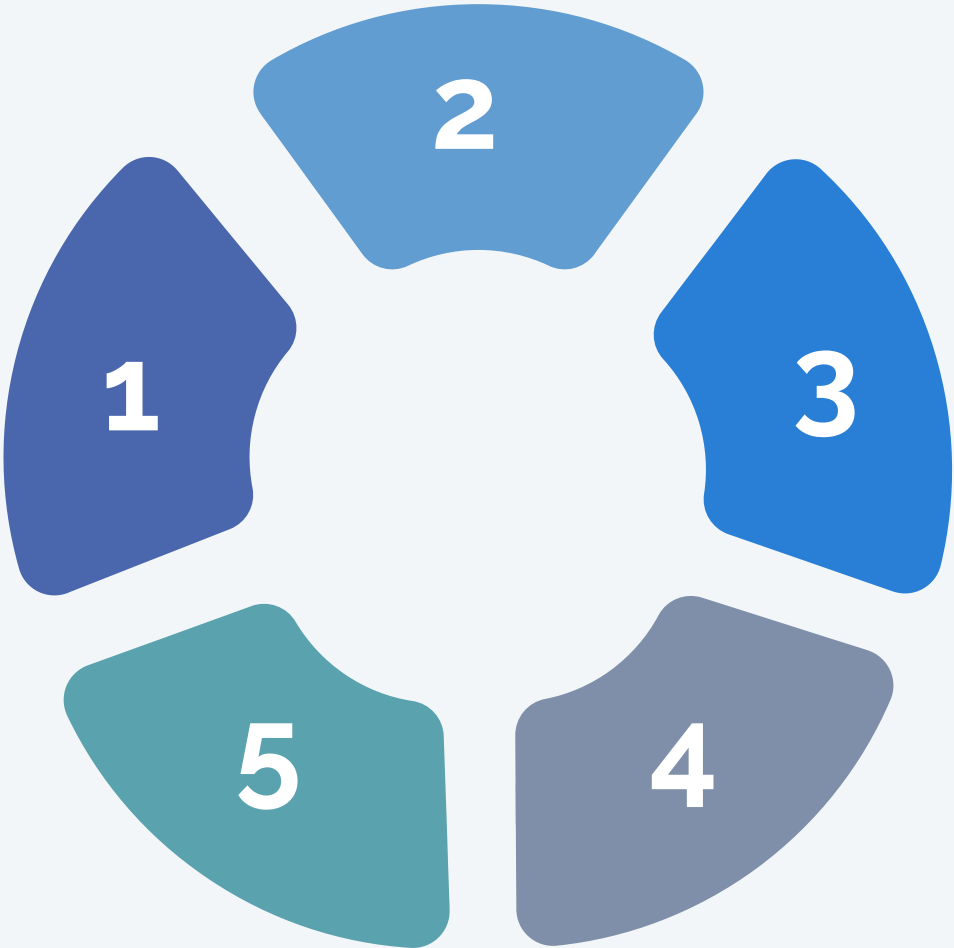
Effective AML/CFT Governance Framework

April 2, 2024

# Key Blocks of AML/CFT Framework



# AML/CFT Governance



## Tone at the Top

Management Board  
Supervisory Board

## 3 lines of Defense

Responsibility for ML/TF  
Risk management  
shared between First,  
Second, and Third Lines

## Compliance Function

Independence  
Resources  
Access to Information

## Qualified Compliance Professionals

Make a big impact with professional slides, charts, infographics and more.

## Compliance Culture

Make a big impact with professional slides, charts, infographics and more.

# AML/CFT Governance – Tone at the Top

The leadership of a company's management and board of directors, as well as their commitment to being honest and ethical

The tone at the top establishes the cultural environment and corporate values of a company

“Tone at the top” as a preventive initiative to establish the right governance and culture in organizations

The term “tone at the top” refers to an organization's overall ethical climate established by the board of directors and senior management.

The lack of an adequate control environment and corporate governance contribute to non-compliance and widespread violations

## Non Compliant behavior

- Non-compliant behavior without specific intention,
- Non-compliant behavior to benefit the organization, and
- Non-compliant behavior to benefit oneself.

# AML/CFT Governance – Tone at the Top

Lead By Example

Communicating and Promoting Ethics and Values

Reporting and Transparency

Reward Integrity

# AML/CFT Governance – Board Engagement

## Roles and Responsibilities

Responsibility for the establishment and management of AML/CFT policies, procedures, systems and controls.

## Board Meetings

AML/CFT discussions take place at Board meetings and are evidenced in minutes



## Board Reporting

MI and CO reports provided to the Board include sufficient quantitative and qualitative data to provide an informed view on the performance of the functions carried out and an understanding of risks and trends

## ML/TF Risk Management

Active engagement in the monitoring and management of ML/TF risk

# AML/CFT Governance

## Examples of Board Engagement

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Adoption of AML/CFT Policies

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Adoption of Business Risk Assessment

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Board Reporting on ML/TF risks

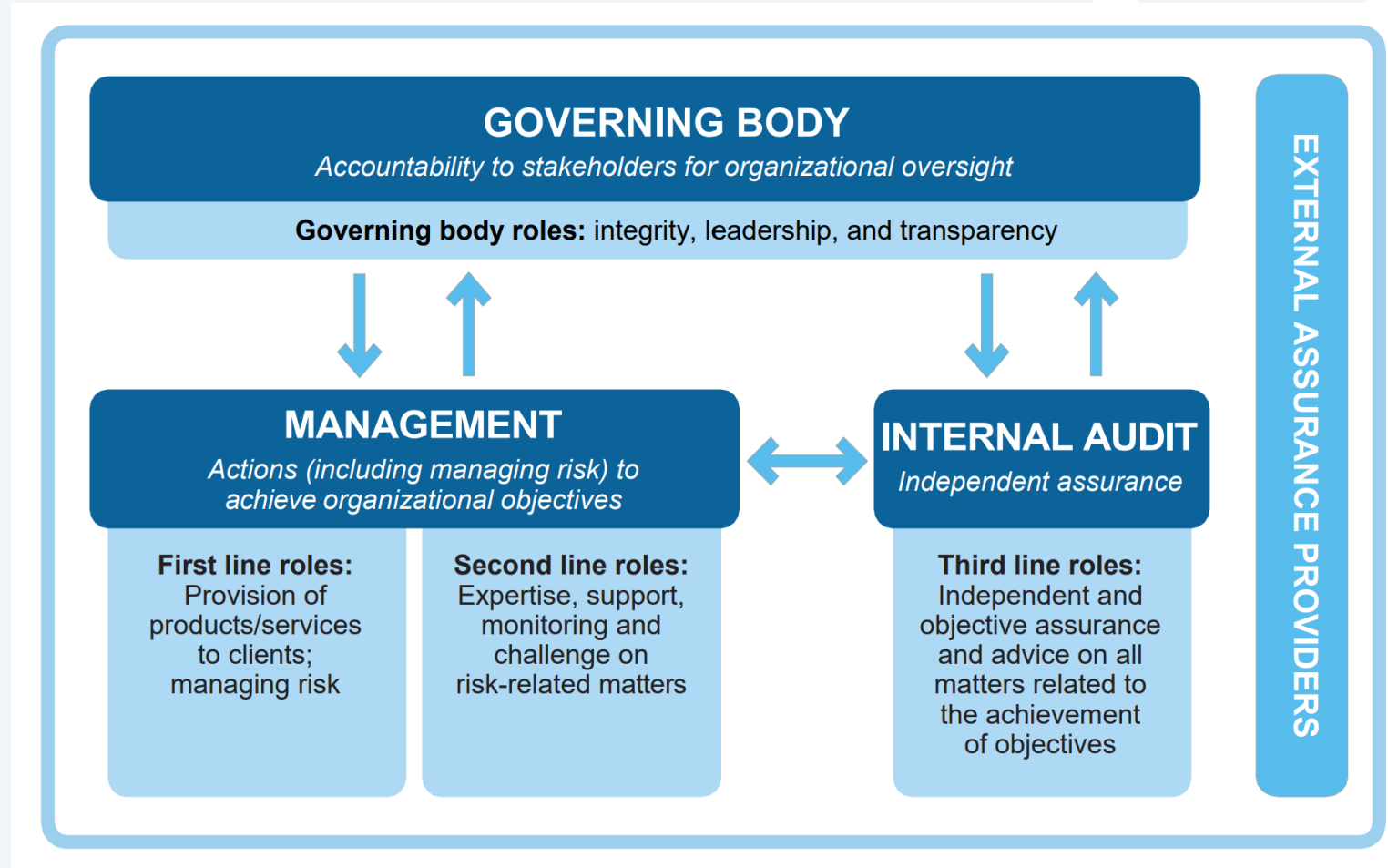
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Approval of High Risk Customers

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Exit Relationships with High risk Customers

# AML/CFT Governance – Three Lines of Defense





# AML/CFT Governance – Three Lines of Defense

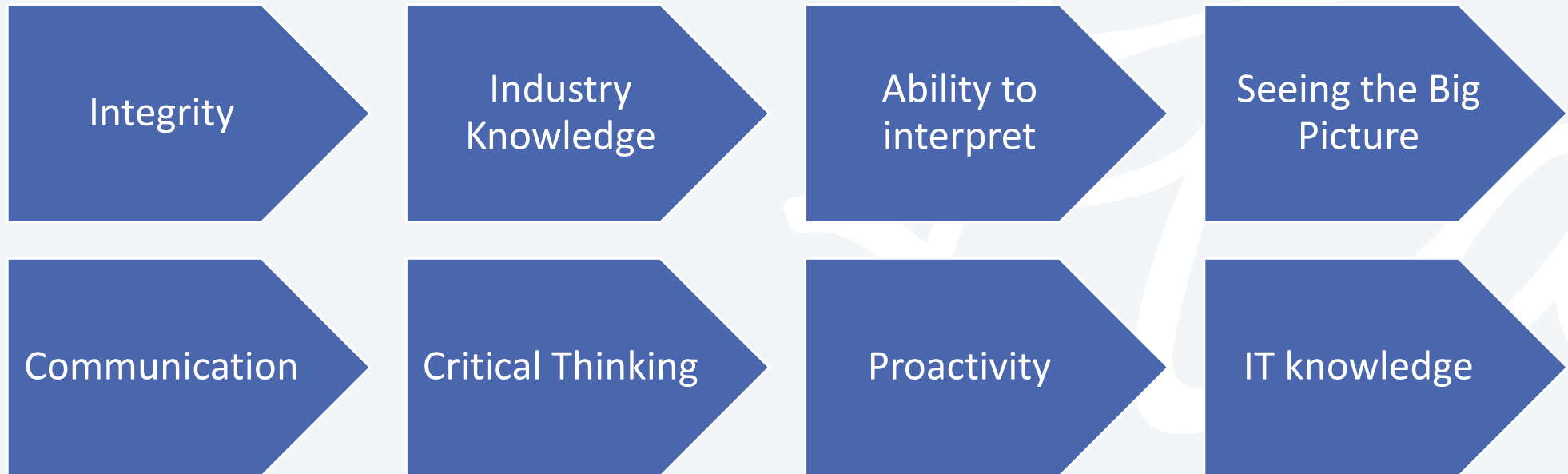
Risk Governance		
Assurance Providers	<p><b>3<sup>rd</sup></b> LINE OF DEFENSE</p> <p><i>RISK PROCESS AND CONTENT Monitoring</i></p> <ul style="list-style-type: none"> <li>– Liaise with senior management and/or board</li> <li>– Rationalize and systematize risk assessment and governance reporting</li> <li>– Provide oversight on risk-management content/processes, followed by second line of defense (as practical)</li> <li>– Provide assurance that risk-management processes are adequate and appropriate</li> </ul>	Assurance Providers
Standard Setters	<p><b>2<sup>nd</sup></b> LINE OF DEFENSE</p> <p><i>RISK PROCESS Accountability</i></p> <ul style="list-style-type: none"> <li>– Establish policy and process for risk management</li> <li>– Strategic link for the enterprise in terms of risk</li> <li>– Provide guidance and coordination among all constituencies</li> <li>– Identify enterprise trends, synergies, and opportunities for change</li> <li>– Initiate change, integration, operationalization of new events</li> <li>– Liaison between third line of defense and first line of defense</li> <li>– Oversight over certain risk areas (e.g., credit, market) and in terms of certain enterprise objectives (e.g., compliance with regulation)</li> </ul>	Standard Setters
Business Owners	<p><b>1<sup>st</sup></b> LINE OF DEFENSE</p> <p><i>RISK CONTENT Accountability</i></p> <ul style="list-style-type: none"> <li>– Manage risks/implement actions to manage and treat risk</li> <li>– Comply with risk-management process</li> <li>– Implement risk-management processes where applicable</li> <li>– Execute risk assessments and identify emerging risk</li> </ul>	Business Owners

Source: KPMG 3 Lines of Defense Model

# AML/CFT Governance – Compliance Function



# AML/CFT Governance – Qualified Professionals



# Risk Understanding



**Assessing Risks**  
**BRA**



**Risk Mitigation**  
**Risk Response**



**Clear Risk Appetite**  
**and Customer**  
**Acceptance Policies**  
**RBA Policy**



**Customer Risk**  
**Assessment**



**Enhanced Due**  
**Diligence Measures**  
**aligned with Risk**

# Why BRA is Crucial

Making informed decisions

Mitigation of Risks

Managing Reputational and Financial Impact

Business Continuity

# AML/CFT Policies and Procedures

AML/CFT Policy

Risk Based Approach

Operational Level Procedures

Sanctions Policy

KYC – Customer Acceptance Procedure  
Transaction Monitoring  
Sanctions Alert Management  
Risk modification procedure  
Record Keeping  
Exist Procedure

# AML/CFT Policies and Procedures

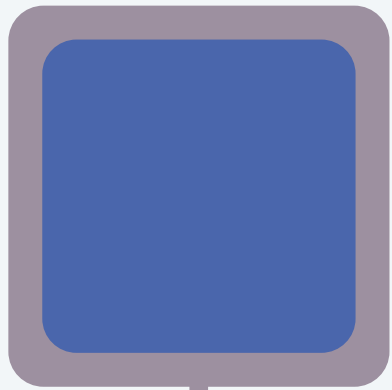
Must be reviewed and updated regularly

Must be approved by the Board

Must be readily available to all staff who are expected to abide by these procedures

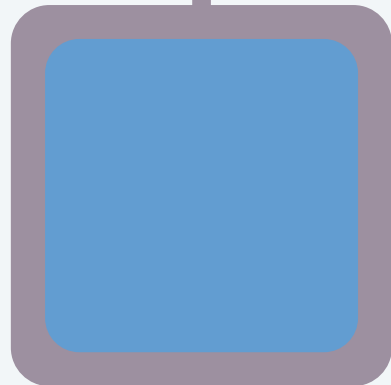
Must comply with all legal and regulatory requirements

# Key Elements -KYC



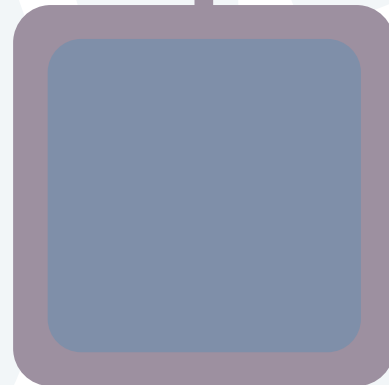
**Customer Onboarding**

**Identify/Verify  
UBO  
Activity**



**EDD  
SoF/SoW**

**Transaction  
Monitoring**

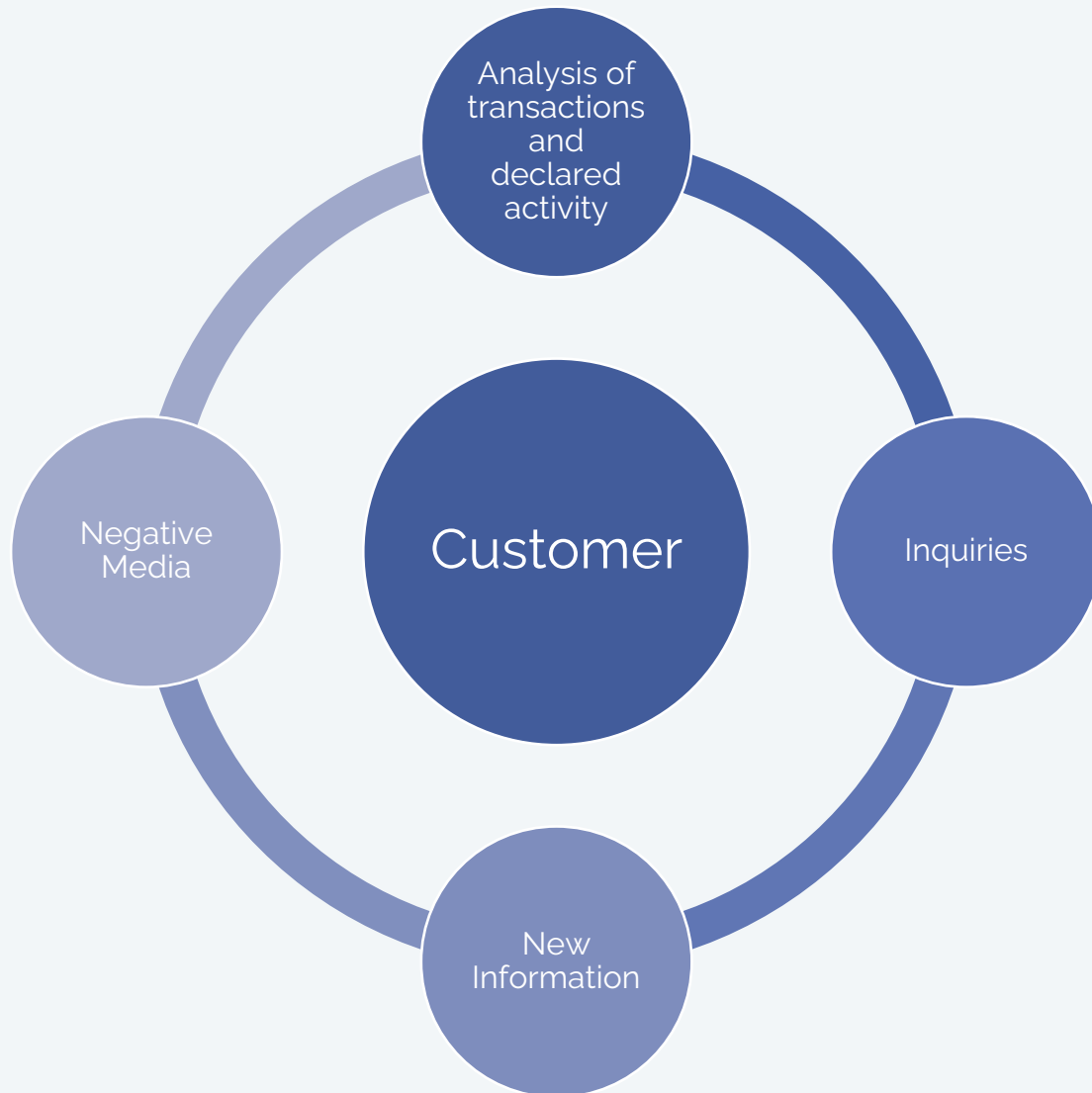


**Update  
Information**

KYC is part of  
Customer Lifecycle



# Ongoing Monitoring



KYC should be conducted through customer life cycle

Clear Timeframes of periodic CDD review and update of Information

# KYC and Record Keeping

01

Records must be sufficient, detailed and of good quality

Records, documents, information and data, both domestic and international

02

03

Records shall contain information regarding customer, transaction, analysis conducted

Policies and Procedures must contain detail on the record keeping requirements in line with the AML/CFT Law

04

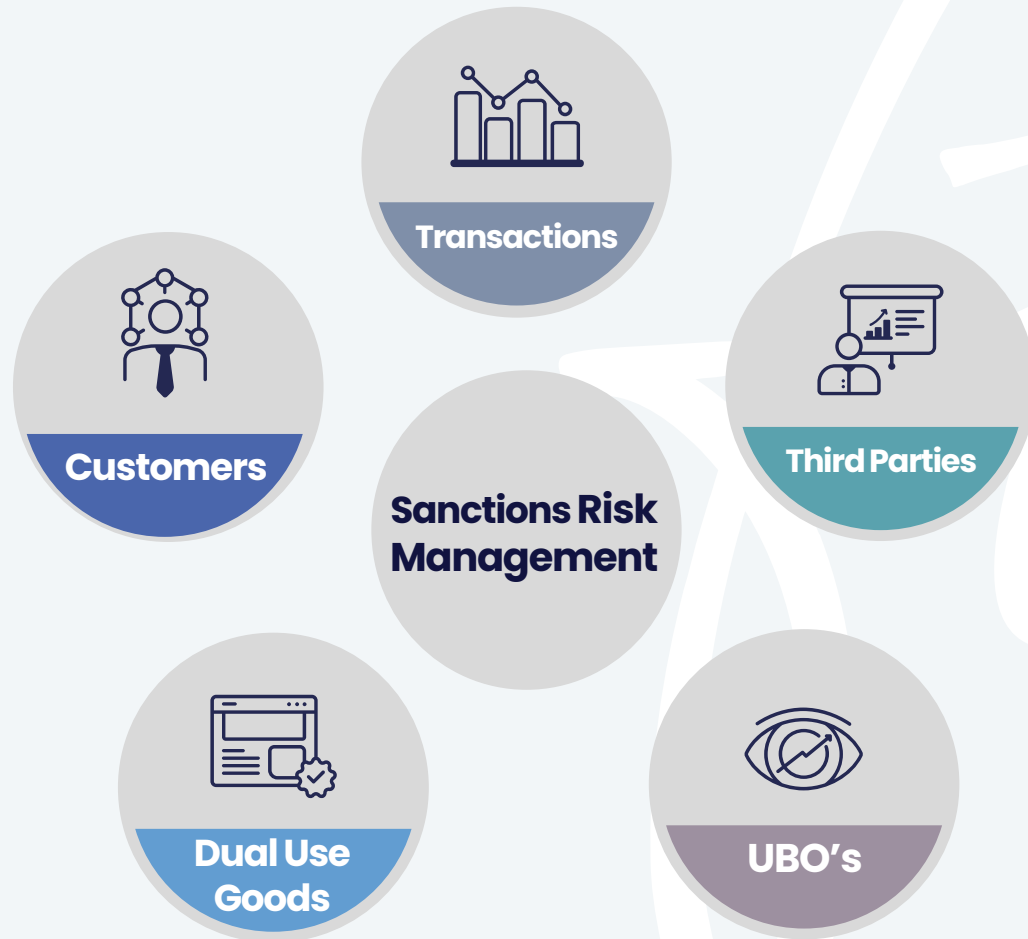
# TF Sanctions Controls

## Customers

Customer Screening during onboarding and screening of customer data base.

The geographic locations of the customer, as well as its customers, supply chain, intermediaries, and counter-parties.

Screening of UBO's and entities in the ownership structure.



## Transactions

Screening of Transactions, purpose, objective, any red flags.

Analyzing products and services offered.

Analyzing supply chain, intermediaries, and counter-parties;

# AML/CFT Key Tools

Customer Risk Assessment

Transaction Monitoring



Customer Screening  
PEP  
Sanctions  
Negative Media  
Corporate Structure

Transaction Screening  
Vessel Screening

Training

# AML/CFT Training

Training records should be maintained showing who received the training, date of training, nature of training received and outcome of training

Training content must be reviewed and updated on a regular basis to ensure it remains appropriate

Training must be on-going and specific to the role carried out by that particular employee

Training must be relevant to the entities business activities

Entities exposed to a higher level of ML/TF risk or have greater exposure to constantly evolving ML/TF risks should provide training at more regular intervals if necessary



*Thank you for your  
time*

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**Next Session:**  
16 April, 2024

**Topic:**  
Conducting Business  
Risk Assessment

Today's Host: Tamar Goderdzishvili

Today's Presenter: Tamar Goderdzishvili