

AML Tuesday's Session #39 on:

AMSF Supervisory Findings for FIs

14 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 FIs
 - Meetings and ongoing communication with FIs

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

How AMSF inform FIs of Supervisory Findings

- Important part of AMSF's supervisory strategy is to ensure that supervisory findings are communicated to FIs.
- 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 FIs
 - ❖ Also discussed during outreach events and workshops
 - ❖ Discussed in Risk and Compliance Meetings and follow up inspections
 - ❖ Formal and informal meetings with FIs.
- Supervisory findings also inform targeted guidance issued by AMSF and future thematic inspections or ad hoc inspections

Some Examples of Supervisory Findings in FIs in 2023

AMSF Supervisory Findings

Governance, compliance function, AML/CFT policies and procedures

- Improved AML/CFT policies and procedures
- Generic policies and procedures – although improvements have been observed
- Group policies implemented not always in line with Monegasque legislation
- Improved number AML/CFT resources

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 FI

AMSF Supervisory Findings

ML/TF Risk Assessment

- Risk Assessment in place
- Not always comprehensive or specific to business of the individual FI
- Not always taking account of new developments or emerging risks
- Wholesale de-risking
- ML and TF Risk not considered separately

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

- Sometimes incomplete risk profiling
- Better understanding of how to risk profile a customer
- Inadequate risk ratings
- Sometimes delayed reviews of customer risk profiles
- Limited information on customer risk ratings for first line of defence staff

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 or inadequate CDD gathered
- Failure to identify the BO (thematic inspections of complex structures). Do not go far enough down the ownership chain.
- Generally daily screening of customers
- Third party CDD - ultimate responsibility lies with FI and this has been observed by AMSF.
- Improvement in documentation requested re source of wealth and source of funds, but not always clear how this information is used by the FI.

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
- Documentary evidence on SOW and SOF in high risk situations which is assessed by the FI
- Review

AMSF Supervisory Findings

Ongoing monitoring and identification of suspicious activity

- Automated tools
- Tools - parameters not adequately defined
- Group tools had previously been used – now more local scenarios included
- Delayed analysis of alerts - Failure to update customer profile and customer due diligence with details received during assessment or investigations.
- Not always adequate documentation for closure of alerts

AMSF Supervisory Findings

Ongoing monitoring and identification of suspicious activity (continued)

- Improved RBA for scenarios
- Screening at onboarding stage
- Screening of customers and transactions
- Lists - transaction screening
- No training/inadequate training on screening tool
- Delay in resolving/processing sanction screening alerts
- No way of identifying whether relates to TF or PF through the tool

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
- Monitoring scenarios adapted in line with risk
- Comprehensive analysis of potentially suspicious transactions
- Adequate human resources for monitoring

AMSF Supervisory Findings

Suspicious Transaction Reporting

- Inordinate delays in reporting
- Quality of reports
- No documentary evidence for closure of alerts

Some examples of what AMSF expects...

Suspicious Transaction Reporting

- Effective transaction monitoring systems
- 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 on suspicious transaction reporting

AMSF Supervisory Findings

Training and Human Resources

- Training conducted
- Training sometimes tends to be generic
- Training mostly included in policies and procedures
- Lack of focus on TF
- Training on TFS has been conducted in some cases

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 FI'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:

28.11.2023

Topic:

Evolving AML/CFT
Risks

Today's Host: Jan Bellenghi

Today's Presenter: Elaine Duignan