

Industry Seminar – 6 December 2013

**Investment Supervision and Policy Division Presentation:
AML/CFT Visits – Observations**

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Introduction

One of the benefits derived from centralizing the Commission's AML/CFT on-site visit activities has been the greater clarity obtained around trends and best practice in the finance industry as a whole. The following is a summary of feedback from the on-site visits performed since November 2012.

1. Business Risk Assessments

Over the last 12 months, a variety of business risk assessments have been seen. There is clearly some ongoing development in terms of both their complexity and content.

From time to time, the information contained in a business risk assessment has appeared to remain static or based upon some sort of generic template. The contents have not changed or been updated to reflect the actual current risks to which the business may be exposed from a financial crime perspective.

Licensees are encouraged to review their business risk assessments on a periodic basis to verify that they continue to be both relevant and up to date. This will allow licensees to manage not only their current AML/CFT risks but also any new or emerging risks to which they may be exposed as a result of new lines of products or services being adopted or new jurisdictions in which those products or services are being promoted.

2. Relationship Risk Assessments

On the whole, licensees demonstrated a good understanding of the inherent AML/CFT risks associated with certain prospective customers. However, in a small number of instances, it was noted that there was no record maintained by the licensee which recorded the basis upon which the given risk rating was assigned, and in particular, where high risk indicators were present at the time of take-on.

Licensees are encouraged to ensure that their policies and procedures reflect the importance of maintaining a record of the reasons or rationale relied upon in assigning a given risk rating. This will allow licensees to more accurately review and re-assess those relationships should changes occur to the customer's risk characteristics based upon which the original risk rating was given.

3. Source of Funds / Source of Wealth

There have been some limited instances where licensees have relied solely at face value, on the information provided on an application form by, or on behalf of, a customer about its source of funds and wealth. As explained in the FAQ published on the Commission's AML/CFT webpage, it is the Commission's expectation that this information is also the subject of independent verification and that verification recorded. Suggested sources that could be used for this purpose are identified in that FAQ.

4. Introducer arrangements

In some limited instances, information disclosed in an introducer certificate about the subject party, has changed in some way. While the issuer may be aware of the change, this is not necessarily the case for the party who is relying upon that certificate.

Whilst the Handbook doesn't expressly compel this, it is to the benefit of Guernsey Plc as a whole, for those who have issued certificates, to have a system in place to ensure that, where changes occur to the information originally disclosed on the certificate, licensees to whom they have issued the certificate are notified, and for that to occur in a timely fashion. This will also assist those relying upon certificates when undertaking their review of relationship risk assessments by ensuring that they are relying upon current information about the inherent risk characteristics of the customer in question.

5. Training

In the last 12 months, the Commission has seen some excellent examples of quality training being offered and undertaken by licensees. In some instances, this training has gone beyond AML/CFT matters and included sanctions and anti-bribery and corruption. Training material and delivery methods have included the participation of attendees in scenarios and the use of case studies. These methods appear to have made the training provided both more relevant and effective for a licensee's Board and staff members. Licensees are encouraged to consider whether these methods, and in particular case studies specific to their own products and services, might be incorporated into their future training programs.

6. Customer Application Forms

There has been a demonstrable focus by licensees on ensuring that they comply with Regulation 15, and review the policies, procedures and controls. In some instances these reviews may omit some of the tools used by the licensee, one of which being their customer application forms. Licensees are reminded of the importance of including such documentation as part of their review, to ensure that the information being collected includes such items as the customer's former name and other identification requirements.