



AML/CFT Supervisory Concerns of Licensed Banks

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Outline...

- 1. Supervisory concerns**
 - ❖ Corporate Governance
 - ❖ Policies and Procedures
 - ❖ Risk Management
 - ❖ Internal Controls
 - ❖ Compliance Function
 - ❖ Training
 - ❖ Other Issues

- 2. Some Recommendations**

Corporate Governance

- ❖ Failure to submit a comprehensive timely report on risk assessment and AML/CFT policy report to the Board of Directors as required by the CDD Rules, No.1 of 2016.
- ❖ This implies that the weight given to AML/CFT area is very minimal at the Board level and could hinder the decision making on risks and threats relevant to ML/TF.

Policies and Procedures

- ❖ Banks tend to merely copy the contents of CDD Rules issued by the FIU and sections of the FTRA in developing AML/CFT policy manual.
- ❖ Mostly, operating procedures to implement board approved AML/CFT policies are not available in banks .
- ❖ If existed, the AML/CFT policy does not specify frequencies at which customer risk profiles need to be updated.

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Policies and Procedures Cont'd

- ❖ Deficiencies in:
 - Verifying whether any prospective customer or beneficiary appears in any suspected terrorist list or alert list issued by the United Nations Security Council Resolutions.
 - Verifying the beneficial ownership of customers .
 - Understanding the nature and scope of customer activities .
 - identifying high risk customers/business relationships .

Risk Management

- ❖ There are some initiatives on ML/TF risk assessment with new customers. However, there are very limited ML/TF risk assessments for existing customers.
- ❖ Risk assessments which have been already conducted are not comprehensive enough and mostly do not include risks arising from its customers, products and services, geographic spread of activities and delivery channels.
- ❖ Non-availability of specific systems and controls for high risk products and services.

Internal Controls

- ❖ Alerts generated through AML/CFT systems were not attended some times for 5-6 months.
- ❖ Such negligence may prevent the submitting STRs on time and taking immediate actions in terms of UNSCRs and all other AML/CFT requirements.
- ❖ There are some instances where some banks had not developed / purchased a system in order to monitor transactions in terms of the provisions of the CDD Rules.

Compliance Function

- ❖ The compliance officer is not senior enough to deal with Senior Management and Board of Directors
- ❖ The compliance divisions are not equipped with adequate resources inclusive of man power.

Training

Even though banks have provided training for employees, there were very limited instances where the banks have conducted AML/CFT training to Board of Directors .

Other Issues

Operating of frozen/suspended accounts.

Recommendations

- ❖ Conducting an ML/TF risk assessment for the bank and customers as required by the CDD Rules. This assessment should be documented
- ❖ Profiling ML/TF risk of all customers and continue risk profiling on an ongoing basis.
- ❖ Developing a mechanism to identify beneficial ownership of legal persons and legal arrangements.
- ❖ Developing a comprehensive mechanism in order to comply with the requirements of implementing targeted financial sanctions on real time basis when performing transactions.
- ❖ Developing product specific AML/CFT controls and procedures for the identified high risk products and service.

Recommendations Cont'd

- ❖ Submitting comprehensive reports to the Board of Directors as required by the CDD Rules, No.1 of 2016.
- ❖ Developing procedures in order to implement board approved AML/CFT policies.
- ❖ Developing appropriate internal controls to mitigate the risks identified through risk assessment as required by the FTRA and CDD Rules.

Recommendations

Cont'd

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- ❖ Timely reviewing of alerts generated through AML system in order to identify suspicious transactions, on immediate basis .
 - ❖ Conducting AML/CFT programme to Board of Directors in order to enhance the awareness of effective compliance function and sound AML/CFT framework.
 - ❖ Implementing an effective management information system (MIS) to capture data from a centralized location in order to monitor and maintain records of all accounts at any given time and facility should be given to the Compliance Officer.

Thank you!