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# DEVELOPMENT OF EFFECTIVE AML/CFTP POLICIES AND PROCEDURES

# AML/CFTP POLICIES AND PROCEDURES



## Why develop AML/CFTP Policies & Procedures

Member Firms must comply with the Financial Intelligence Act 2019 (FI Act) and its implementing regulations ("AML framework"). The purpose of the AML framework is to help detect and report suspicious activity including the predicate offenses to money laundering and terrorist financing, such as corruption, drug trafficking, racketeering, market manipulation, etc.

Policies and Procedures are part of an effective AML/CFTP program. An AML program must be in writing and include, at a minimum:

- policies, procedures, and internal controls reasonably designed to achieve compliance with the FI Act and its implementing rules;
- policies and procedures that can be reasonably expected to detect and cause the reporting of suspicious transactions/activities under the FI Act.

# AML/CFTP POLICIES AND PROCEDURES



## What should be included in an AML/CFTP Policy

### 1. Policy Statement

Stating that it is the policy of the firm to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities by complying with all applicable requirements under the FI Act 2019 and its implementing regulations.

- ✓ Its important to include the **Definition** of money laundering, terrorism financing and proliferation financing and the risks.

### 2. AML Compliance Person Designation and Duties

Designate the firm's AML Compliance Person and describe his or her duties. Also include duties of the senior management and general staff.

### 3. Member firms Regulator and relevant legislature

For example, BICA as a Supervisor & Regulator. FI Act & Counter Terrorism Act for relevant legislature. Etc.

## 4. Customer Identification Program

Member firms are required to have and follow reasonable procedures to document and verify the identity of their customers when establishing a business relationship. These procedures must address the types of information the firm will collect from the customer and how it will verify the customer's identity. These procedures must enable the firm to form a reasonable belief that it knows the true identity of its customers.

The firm's customer identification program must be in writing and be part of the firm's AML compliance program. Describe how the firm will identify customers and verify their identities.

### a) Required Customer Information

- ✓ *Full Name*
- ✓ *Date of birth*
- ✓ *Address (Physical & Postal)*
- ✓ *Identification number*

### b) Customers Who Refuse to Provide Information

*Describe the firm's policy for customers who do not provide requested information.*

## Customer Identification Program Cont....

### **c) Verifying Information**

*Describe how the firm will verify customers' identities using the information described above. The information you gather may vary according to the risks posed by the type client or product offered to the customer. The procedures must enable the firm to form a reasonable belief that they know the true identity of each customer.*

### **d) Lack of Verification**

*Describe the procedures for responding to circumstances in which the firm cannot form a reasonable belief that it knows the true identity of a customer.*

### **e) Recordkeeping**

*Describe the recordkeeping procedures as per the AML/CFTP Framework.*

### **f) Sanction Screening**

*Describe how the firm will check or screen the potential client against UN lists prior to establishing business.*

## 5. Customer Due Diligence

(1) Customer identification and verification;

### **Due Diligence and Enhanced Due Diligence Requirements for high risk customers**

- ✓ Prominent Influential Persons (PIPs)
- ✓ Cash Intensive Businesses
- ✓ Car dealerships etc.

(2) Beneficial ownership identification and verification;

(3) Understanding the nature and purpose of customer relationships for the purpose of developing a ***customer risk profile***; and

(4) Conducting ongoing monitoring to identify and report suspicious transactions and, on a risk basis, to maintain and update customer information.

## 6. AML/CFTP Compliance Monitoring

Member firms must establish risk-based procedures reasonably designed to detect and report suspicious transactions in order to comply with the FI Act 2019.

The risk of suspicious activity will vary for each firm depending on its size and location and based on its business model and the products and services it offers. The firm can identify that risk by looking at the type of customers it serves, where its customers are located, and the types of products and services it offers. Given the wide variety of business models employed by small firms, it is paramount that the firm's monitoring procedures be tailored to the firm's business and identified risks. The procedures should also describe how the firm will monitor for or otherwise identify the "red flags."

## 7. *Suspicious Transaction/ Activity Reporting*

Describe when and how the firm will report STRs/SARs to the Financial Intelligence Agency (FIA). Describe the firm's procedures for identifying any suspicious transactions and determining if they need further investigation or warrant filing a STR/SAR. These procedures should also cover the maintenance of STR/SAR documentation and the preservation of its confidentiality, and goAML reporting .

## 8. Cash Transaction Reports

A firm must file a cash transaction report (CTR) to FIA via the **goAML portal** for each cash payment to/from the firm that involves a transaction in cash of more than P10,000 or for multiple transactions in cash of more than P10,000 when a member firm knows that the transactions are by or on behalf of the same person during any one business day. **Also include in the Policy if the firm prohibits transactions involving cash.**

## 9. Risk Assessment

The key purpose of a ML/FTP risk assessment is to drive improvements in financial crime risk management through identifying the general and specific ML/FTP risks a member firm is facing, determining how these risks are mitigated by a firm's AML programme controls and establishing the residual risk that remains for the member firm. The policy should state the periodicity of conducting the firm-wide risk assessment and the approach should be clearly documented and **approved by senior management.**

The methodology for the risk assessment must be clearly articulated, especially with regard to the factors being assessed, the criteria used to score, the requisite weightings used in the scoring methodologies, any scoring overrides applied, including the rationale for them and any business line/business unit specific parameters, amongst others.



## 10. Program to Independently Test AML Program

Describe the firm's independent testing function to assess its AML compliance program.

As a general matter, independent testing of the firm's AML compliance program should include, at a minimum:

- (1) evaluating the overall integrity and effectiveness of the firm's AML compliance program;*
- (2) evaluating the firm's procedures for goAML/FIA reporting and recordkeeping requirements;*
- (3) evaluating the implementation and maintenance of the firm's CIP;*
- (4) evaluating the firm's customer due diligence requirements;*
- (5) evaluating the firm's transactions, with an emphasis on high-risk areas;*
- (6) evaluating the adequacy of the firm's staff training program;*
- (7) evaluating the firm's systems, whether automated or manual, for identifying suspicious activity;*
- (8) evaluating the firm's system for reporting suspicious activity;*
- (9) evaluating the firm's policy for reviewing activities that generate multiple STR/SAR filings; and*
- (10) evaluating the firm's response to previously identified deficiencies.*

# AML/CFTP POLICIES AND PROCEDURES



## **11. AML Record Keeping**

The firm must establish procedures to maintain all applicable AML program records and reviews.

## **12. Training Programs**

Describe the AML ongoing employee training and programs and the frequency of the training.

## **13. Monitoring Employee Conduct**

Describe how the firm will monitor employee activities for potential signs of money laundering/terrorism financing. The firm should also review supervisors' performance of their AML/CFTP responsibilities.

## **14. Senior Manager Approval**

A firm's AML compliance program must be approved, in writing, by a member of senior management.