

International AML/CFT Standards for Banks

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The Standard-Setters

- **Basel Committee**
 - Customer Due Diligence for Banks (Oct 2001)
 - Consolidated KYC Risk Management (Oct 2004)
- **Financial Action Task Force**
 - 40 Recommendations (June 2003 revision)
 - 9 Special Recommendations (Oct 2001 onwards)

Key Issues for Discussion

- Customer Due Diligence
- Record-keeping
- Suspicious transaction reporting
- Systems and controls
- Regulation and Supervision

Customer Due Diligence

- **Business relationships and occasional transactions**
- **Identification and verification using reliable sources**
- **Beneficial ownership**
 - Legal persons and arrangements
- **Ongoing due diligence**
- **High-risk and low-risk customers**

Customer Due Diligence

- **Politically-exposed persons**
 - Enhanced procedures
 - Senior management involvement
- **Correspondent banking**
 - Special procedures
 - Senior management involvement
- **Introduced business**
 - Specific conditions

Record-Keeping

- **Five-year retention period**
 - Account-opening files
 - Transaction records
 - Correspondence
 - Accessibility
- **Wire transfers**
 - Originator information
 - Follow-the-money

Suspicious Transaction Reporting

- Reporting based on suspicion or reasonable grounds to suspect
- No value threshold
- Attempted transactions included
- Prohibition on “tipping-off”
- Legal protection for bank staff
- Strict confidentiality of information
- Cash transaction reporting is optional

Systems and Controls

- **Procedures, policies and controls to prevent ML/FT**
- **AML compliance officer with appropriate access**
- **Independent audit function**
- **Employee training**
- **Oversight of foreign branches**

Regulation and Supervision

- **Designated competent authorities**
 - Adequately structured, funded and staffed
- **Adequate powers to ensure compliance**
 - Inspections
 - Access to books and records
 - Ability to apply sanctions
- **Control over entry to market**
- **Application of Basel Core Principles**

Some Parting Thoughts

- **Effective implementation is essential**
- **CDD requirements are extensive and difficult to implement**
- **Effective STR regime requires considerable two-way flow of information**
- **Compliance monitoring requires thoughtful application of supervisory procedures**
- **This is joint public sector/private sector venture**