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Challenges to AML/CFT Compliance

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Issues for Discussion

- **Customer identification**
- **The STR Regime**
- **Senior management commitment**
- **Skills and resources**
- **Regulatory oversight and enforcement**
- **Low income countries**
- **Cash-based economies**

Customer identification

- “Cradle to grave” relationship with customer
- Identifying beneficial owner
- Ongoing monitoring procedures
- Dealing with high-risk customers (including PEPs)
- Application of a risk-based approach

The STR Regime

- The basis on which reports are filed (subjective or objective)
- Systems to identify unusual and suspicious transactions
- Timeliness of reports
- Quality of reports
- Role of the FIU

Senior Management Commitment

- Requires top-down approach
- Board to establish policy and senior management to ensure implementation
- Senior management to receive regular reports
- Role of the compliance officer
- Commitment to compliance testing and audit
- Commitment to staff training

Skills and Resources

- **Specialist resources in institutions**
 - Compliance and audit functions
 - Staff awareness and training
- **Cost of compliance**
 - Management time
 - Systems and controls
 - Monitoring procedures
- **Regulatory resources**
 - Policy initiatives
 - Inspection specialists

Low Income Countries

- Overall capacity constraints
- Competing resource demands
- Political commitment
- Vulnerability/risk assessment
- Prioritised implementation
- Need to reconcile CDD measures and desire to develop banking habit

Cash-Based Economies

- Cash-based economies are not necessarily low-income countries
- What constitutes an unusual or suspicious transaction?
- What are reasonable reporting thresholds?
- Risk of FIU being overwhelmed with reports
- Cash leaves limited paper trail for investigators to follow
- Wide use of cash couriers and cross-border movements