



Supervising Compliance With AML/CFT Requirements

The changing regulatory and supervisory environment

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The changing regulatory and supervisory environment

- ML/FT is a banking risk
 - Operational risk
 - Compliance risk

Corporate governance

Operational Risk

- Operational risk (Basel Committee)
 - Risk of loss resulting from inadequate or failed internal processes, people or systems or from external events
 - Include legal risk, but exclude strategic and reputation risk

Operational Risk

- Operational risk
 - Internal and external fraud
 - Clients, products and business practices
 - Execution, delivery and process management

Operational Risk

- Operational risk BCP 15
 - Risk management policies and processes to identify, assess, monitor and control/mitigate operational risk

Operational Risk

- Basel II
 - Clearly identify and segregate operational risk
 - Incentive for banks to improve operational risk management

Compliance Risk

- **Basel Committee**
 - Compliance risk is the risk of legal or regulatory sanctions, material financial loss, loss to reputation a bank may suffer
 - as a result of its failure to comply with laws, regulations, rules, related SRO standards, and codes of conducts applicable to banking activities

Compliance Risk

- Compliance risk management:
 - Identify
 - Measure
 - Monitor
 - Control

compliance risks in products and business lines

Compliance Risk

- Compliance risk management:
from a concept to a function
 - Independence
 - Resources

Compliance Risk

- Compliance risk management
 - Board and senior management oversight
 - Policies and procedures
 - Internal control
 - Monitoring and reporting
 - Training

Corporate Governance

- Board and senior management must assess quality of corporate governance
- and ensure effective accounting practices, internal control and audit functions

Corporate Governance

- Forward looking approach to risk management
 - From the balance sheet and the income statement
 - To management and controls

Corporate Governance

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with laws and regulations

Corporate Governance

- Board of directors, audit committee
- CEO, CFO and senior management
- External auditors
- Internal auditors