



**GUIDE TO STRUCTURING AN AML/CFT COMPLIANCE
MANUAL FOR REPORTING ENTITIES UNDER THE
FIU's PURVIEW**

OCTOBER 2021

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DOCUMENT INFORMATION

Document Owner	Financial Intelligence Unit
Creation Date	October 2021
Version	V1.0

DOCUMENT REVIEW HISTORY

Date	Version	Document Amendments/Insertion
October 2021	V1.0	Document Creation

ACRONYMS AND ABBREVIATIONS

ACO	Alternate Compliance Officer
AML/CFT	Anti-Money Laundering and Countering the Financing of Terrorism
AML/CFT Act	Anti-Money Laundering and Countering the Financing of Terrorism Act, 2020
AML/CFT Regulations	Anti-Money Laundering and Countering the Financing of Terrorism Regulations, 2020
CDD	Customer Due Diligence
CO	Compliance Officer
CTTR	Cash Transaction Threshold Report
EDD	Enhanced Due Diligence
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
Manual	AML/CFT Compliance Manual
ML	Money Laundering
STR	Suspicious Transaction Report
TF	Terrorism Financing

1. SCOPE AND APPLICATION OF THIS GUIDELINE

These guidelines are issued by the Financial Intelligence Unit (“FIU”), pursuant to Section 57 (2) of the Anti-Money Laundering and Countering the Financing of Terrorism Act 2020 (“AML/CFT Act”), as amended.

The aim of these guidelines is to assist reporting entities specified under Part C (except entities at serial numbers 7 and 8) of the First Schedule of the AML/CFT Act to develop an AML/CFT Compliance Manual (“Manual”), containing the policies and procedures adopted to fight against Money Laundering (“ML”) and Terrorist Financing (“TF”). This is in line with Regulation 13 (b) of the Anti-Money Laundering and Countering the Financing Terrorism Regulations, 2020 (“AML/CFT Regulations”) which requires reporting entities to maintain a manual of compliance of the policies, procedures, and system they have in place. However, a reporting entity is not limited from expanding its Manual to include other relevant procedures that can protect its business.

These guidelines are not intended to be exhaustive nor does it prescribe a uniform set of requirements for all reporting entities. The reporting entities are required to follow the obligations as stipulated under the AML/CFT Act, as amended as well as all regulations made thereunder. These guidelines do **not** necessarily contain all those requirements and does not create a safe harbour from regulatory responsibility. The extent and degree to which a reporting entity adopts these guidelines should be commensurate to its identified risks and business profile.

2. INTRODUCTION

Reporting entities are required to develop and design a Manual, tailored to its specific nature of business, which will guide its day-to-day running of the business. It is important for the reporting entity to take into consideration certain factors, which include but are not limited to the below, when designing the Manual;

1. Its size;
2. Customers;
3. Complexity of its business activities;

4. The type of business relationship it maintains;
5. Volume of transaction; and,
6. The nature of transactions in which its customers engage in.

Once the above risks have been assessed, the Manual should reflect the internal policies and procedures in place to mitigate the identified risks. The business should ensure that the implementation of its procedures is on a risk-based approach in so far that greater focus should be placed on areas determined higher risk.

As evidence of its approval, the written Manual must bear the signature and stamp of approval of a Senior Management Official (Director/Partner/owner of the business) and the date of approval. The approved Manual must be effectively communicated to all staff to ensure its effective implementation.

Furthermore, it is to be noted that the Manual should be reviewed on a regular basis to ensure that it remains relevant, consistent with the business risk profile, includes best practices, relevant laws and any other guidance issued by the FIU.

3. CONTENT OF THE AML/CFT COMPLIANCE MANUAL

Reporting entities should develop and maintain a well-structured and comprehensive Manual. The Manual should include, at minimum, the following four key components to ensure compliance with relevant legislations;

1. Risk assessment (to include methodology implemented);
2. Internal control systems and procedures;
3. Appointment of and internal functions of Compliance Officers; and
4. Policies and procedures for reporting of suspicious transactions.

To ensure the successful implementation of the Manual, the Manual should have a clear structure for the staff to easily understand and for a seamless application of the measures contained therein. A well-structured Manual should include;

3.1 COVER PAGE

The cover page should include the;

- ✓ Name of the Manual
- ✓ Version control

3.2 APPROVAL BY SENIOR MANAGEMENT

This should include the:

- ✓ Signature of a Senior Management (Director, Partner or owner of the business);
- ✓ Date of approval (to include date of updates approved); and
- ✓ Seal or stamp of the business.

This will confirm that the Senior Management has approved and supports the full implementation of the written Manual.

3.3 TABLE OF ACRONYMS

To include the table of acronyms as an index for different terms which have been abbreviated within the Manual, such as AML, CO etc.

3.4 TABLE OF CONTENTS

This will allow for the employees to easily navigate through the Manual.

3.5 BRIEF BACKGROUND ON THE BUSINESS

This should include a:

- ✓ Brief history of the business
- ✓ Type of business (Sole trader, partnership, company etc.)
- ✓ Nature of business and summary of activities and services provided
- ✓ An organizational chart

3.6 POLICY STATEMENT

The Policy Statement should outline the purpose of the Manual which may include, but should not be limited to, the following:

- ✓ The reporting entity's commitment to fulfilling its AML/CFT obligations to ensure its compliance with the relevant legislations; namely the AML/CFT Act, as amended and AML/CFT Regulations which in turn should assist in protecting the business from being used for illegal purposes. Also outlining that a reporting entity that fails

to comply with a provision of the Act or any regulation, order, determination or directive issued under the Act is subjected to sanctions and penalties;

- ✓ The requirement to ensure that the employees are able to detect and deter ML and TF activities, and also ensure that suspicious transactions are effectively reported, both internally and to the FIU;
- ✓ The obligation for all employees, including the Directors/Owners of the business, to comply with the policies and procedures documented within the Manual; and
- ✓ To outline the frequency for review of the Manual, to ensure that it remains relevant to the business, with particular consideration paid to any changes in the AML/ CFT legislations and/ or emerging risks to the business.

3.7 OVERVIEW OF MONEY LAUNDERING AND TERRORIST FINANCING

- ✓ Outline the definitions of ML and TF, reference can be made to the definition stated in the standards published by the Financial Action Task Force (“FATF”); and
- ✓ Outline the penalties for the offence of ML, as per Section 3 (4) of the AML/CFT Act

3.8 APPOINTMENT OF COMPLIANCE OFFICER AND ALTERNATE COMPLIANCE OFFICER

This section of the Manual, should highlight the obligation of the reporting entity to appoint a Compliance Officer (“CO”) and Alternative Compliance Officer (“ACO”) for the business, with the FIU’s approval in accordance with Section 34 of the AML/CFT Act. When appointing a CO or ACO, reporting entities should ensure that the applicant meet the requirements set out in Section 34 (2) of the AML/CFT Act. It is not a requirement for the reporting entity to state the name and contact details of the appointed CO or ACO within the manual. However, should it be included, it is important to ensure that the Manual is updated whenever there is a change in CO or ACO.

Additionally, the main responsibilities of the CO should be outlined within this section of the Manual. These may include, but is not limited to, the following:

- ✓ Ensure registration of the business with the FIU;

- ✓ Developing and implementing ongoing compliance, internal controls and procedures;
- ✓ Ensuring staff's commitment and compliance with internal controls and procedures;
- ✓ Provide staff trainings on AML/CFT related matters, to enable the detection and effective reporting of suspicious transactions;
- ✓ Receive and review STRs and ensure STRs with reasonable grounds are filed with the FIU;
- ✓ Ensure Cash Transaction Threshold Report ("CTTR") are filed with the FIU as per the Third Schedule of the AML/CFT Act;
- ✓ Monitor the United Nations Security Council Resolutions ("UNSCR") lists disseminated by the FIU;
- ✓ Serve as both the liaison officer between the reporting entity and the FIU, and a point-of-contact for all employees on issues relating to ML; and
- ✓ Ensure preparation and submission of the annual Compliance Report to the FIU.

3.9 REGISTRATION WITH THE FIU

In line with the requirements of Section 31 of the AML/CFT Act and Regulation 7 of the AML/CFT Regulations, all reporting entities specified under the First Schedule of the AML/CFT Act have an obligation to register with the FIU within 60 days of the coming into force of the AML/CFT Regulations or commencement of its business.

For the purpose of complying with this obligation, the FIU has implemented the goAML platform, an integrated software system developed by the United Nations Office on Drugs and Crime (UNODC) for Financial Intelligence Units worldwide.

This section of the Manual, should highlight the obligation of the reporting entity to register with the FIU and the obligation to notify the FIU of any changes in particulars within a period of 30 days from date of change. Reference can be made to the FIU Registration Guidelines for the process to be followed and information to be captured. The manual should also highlight that a reporting entity which intentionally fails to register or report changes commits an offence and is liable on conviction to a fine not exceeding SCR100,00.00 in line with Section 31(5) of the AML/CFT Act.

3.10 INTERNAL CONTROL SYSTEMS AND PROCEDURES

It is important for the business to implement internal controls and procedures to prevent criminals from using or abusing its products and services for ML/TF purposes. As such, this section should clearly outline the internal control systems and procedures that the business has adopted to ensure it stays in compliance with the requirements of the AML/CFT Act. This should include clear instructions on the procedures governing the following;

3.10.1 RISK ASSESSMENT

Reporting entities should take appropriate measures to identify, assess, understand the business' ML and TF risks in accordance with Section 32 of the AML/CFT Act. To assist with this exercise, reporting entities are advised to take in consideration the outcome of any risk assessments carried out at national the National Risk Assessment ("NRA") or sectoral level (Sector Risk Assessments), guidance documents, trends and typology reports issued by the FIU. Reporting entities should ensure the findings from this exercise are documented, and is readily available upon request by the FIU and/or law enforcement agencies, as outlined in Section 32 (5) of the AML/CFT Act.

3.10.2 CUSTOMER DUE DILIGENCE MEASURES

Reporting entities are required to conduct Customer Due Diligence ("CDD") and where applicable Enhanced Due Diligence ("EDD") when on boarding clients. This will allow the reporting entity to identify and verify the identity of the customers. Within this section of the Manual, it is important to clearly outline the documents required for the identification of customers, be it natural or legal persons. Additionally, outlining the circumstances whereby the reporting entity would be required to conduct EDD measures on its customers.

Reporting entities shall also outline the measures in place for the risk assessment and risk categorisation of its customers (i.e., low, medium and high risk).

3.10.3 OBLIGATION TO CEASE TRANSACTION

In reference to Section 43 of the AML/CFT Act, reporting entities should outline the instances whereby they will cease conducting transaction(s) with a customer or potential customer; for example, where the reporting entity is unable to apply CDD measures.

3.10.4 MONITORING OF TRANSACTIONS

This section of the manual should outline the procedures in place to govern payment methods and related transaction monitoring requirements. For e.g. 'Is there an applicable cash threshold? Does the reporting entity accept payments through banking facilities only? Is the reporting entity reasonably satisfied with the source of funds?' These considerations will allow for the monitoring of transactions. With that being said, reporting entities should ensure that there is a mechanism in place to ensure that the FIU is notified on all cash transactions of SCR 50,000 or more or the equivalent money in the currency of other countries (refer to Section 4.11.1 of these guidelines).

3.10.5 REPORTING OF SUSPICIOUS TRANSACTIONS

For this section reporting entities should include the procedures to be implemented for the internal reporting of suspicious transactions, i.e., by staff to the CO. Internal procedures, depending on the size of the entity, may include the implementation of an Internal Report Form devised by the reporting entity for its employees to complete and submit to the CO. Reporting entity must ensure that internal reports of suspicious transactions or activities are made in writing to the CO. This process should promote integrity, thus procedures promoting a "need to know basis" should be implemented limiting access of non-essential staff to the existence and nature of an STR.

The key indicators of suspicious activities or transactions, should be outlined within the Manual. The CO is required to analyse and determine whether the internal report warrants submitting an STR to the FIU. It should be clearly indicated in the Manual that an STR must be submitted to the FIU within two (2) business days of either ascertaining the reasonable grounds, forming the suspicion or receiving the information.

It is also important to highlight that it is an offence to notify or disclose (i.e., tipping off) information to a customer or any third party in relation to an STR submitted in accordance with Section 48 (1) (a) of the AML/ CFT Act.

3.10.6 RECORD KEEPING REQUIREMENTS

Within this section of the manual, reporting entities should state that it is the obligation of the reporting entity to maintain records for a minimum period of seven (7) years as prescribed in Section 47 (2) of the AML/CFT Act. The types of records required to be maintained as per Section 47 of the AML/CFT Act should be outlined within the Manual and are summarized as follows:

- ✓ Records of CDD measures;
- ✓ Transaction records;
- ✓ All STRs submitted to the FIU; and
- ✓ Enquiries relating to ML and TF activities, made to the reporting entity by the FIU.

Records of training relating to AML/CFT matters, undertaken by the staff, to include the CO and ACO, should also be maintained, to demonstrate compliance to the obligations to implement and maintain a training programme.

Records should be maintained in such a manner and form which enables immediate compliance with requests for information by the FIU and law enforcement agencies for the purpose of ensuring compliance with the AML/CFT Act. Therefore, the Manual should clearly outline the manner in which the records would be kept, i.e., electronically or physically.

3.10.7 SCREENING OF PERSONS BEFORE RECRUITMENT

This section of the Manual should include policies with regards to screening procedures and the appropriate tools for screening of prospective employees to ensure the highest standard of integrity of employees. Reporting entities may outline the documents required to be submitted by the applicant. These may include, but should not be limited to, the following:

- ✓ Identification documents
- ✓ Curriculum Vitae

- ✓ Qualifications
- ✓ Police Character Certificate
- ✓ References

3.10.8 AUDIT ARRANGEMENTS

The reporting entity should implement independent audit arrangements to test the adequacy and effectiveness of its internal systems and controls on a periodic basis. The frequency and intensity of the independent testing must be outlined within this section. Findings from the testing will assist the reporting entity in developing appropriate steps to update or re-design its compliance program to ensure maximum effectiveness of the internal system and controls in place.

However, Regulation 13 (g) of the AML/CFT Regulations makes provision for reporting entities which have not more than five staff members shall conduct self-assessment of their compliance framework and institute any necessary updates or revisions and make available the self-assessment report to the respective supervisory authority, upon request.

3.11 PERIODIC REPORTING TO THE FIU

This section should outline the CO's responsibility to ensure that the two main periodic reports, namely; CTTR and Compliance Report are submitted to the FIU within the prescribed deadline, as required by the AML/CFT Act and the AML/CFT Regulations.

3.11.1 CASH TRANSACTION REPORT

The obligation to report cash transactions above the prescribed threshold in line with Section 5 read with Section 1 of Schedule III of the AML/CFT Act applies to all reporting entities. The Manual should reflect that this is merely a "threshold reporting requirement" and the existence of such report does not necessarily indicate that the report indicates criminal activity. The Manual shall properly differentiate CTTR requirements versus STR reporting requirements and explain background elements so that staff can clearly differentiate.

With reference to the Guidelines on Submission of CTTR, this section of the manual should cover the following points;

- ✓ The obligation to report cash transaction above the applicable threshold;
- ✓ The reporting frequency;
- ✓ The submission periods;
- ✓ The prescribed template; and
- ✓ The offence for failure to report cash transactions in line with Section 5(3) of the AML/CFT Act.

3.11.2 COMPLIANCE REPORT

In line with Regulation 13(h) of the AML/CFT Regulations, the Compliance Officer shall prepare and submit an annual Compliance Report to the FIU for information within 90 days after each calendar year.

This section of the Manual should cover:

- ✓ The obligation to submit an annual Compliance Report to the FIU;
- ✓ The submission periods; and
- ✓ The prescribed template.

3.12 ACKNOWLEDGEMENT FROM EMPLOYEES

Provision should be made for employees to confirm that they have read and understood the Manual and their obligations and duties as contained therein. This may be in the form of an Acknowledgement Form appended to the Manual. Also, it is important to ensure that the Acknowledgement Form is updated whenever the Manual is revised, as proof that the employees are kept abreast with the developments of the internal procedures and have understood same. Internal policies and procedures shall reflect that managers ensure that their respective staff are “up-to-date” with AML/CFT matters.

APPENDIX 1

AML/CFT Compliance Manual Checklist			
Have you covered these key points?			
Content	Key points	Yes/No	If Yes, state page N°
General layout	Cover page		
	Approval by senior management (Signature of a Senior Management Official and Seal or Stamp of business)		
	Table of acronyms		
	Table of content		
	Brief back ground on the business		
Policy statement	Purpose of the Manual		
	Declaration of the reporting entity's commitment to combat ML/TF		
	AML legislation to which the reporting entity is expected to abide		
	List of AML/CFT obligations of a reporting entity		
	Who will the manual apply to, i.e., all staff members		
	Period/ frequency of review of the Manual		
	Overview of the definition of ML and TF		

Overview of money laundering and terrorist financing	Penalties for the offence of ML		
Appointment of Compliance Officer and Alternate Compliance Officer	The appointment of CO and ACO		
	The duties and responsibilities of the CO		
Registration with the FIU	Outlining the requirement to register on the goAML platform		
Risk assessment	Measure in place to identify, assess, understand the business's ML and TF risks		
Customer due diligence	CDD procedures to be adopted for both natural and legal persons		
	Application of EDD measures		
	Risk categorisation of customers		
Obligation to cease transaction	Circumstances under which the reporting entity is required to cease transactions		
Monitoring of transactions	Procedures governing cash transactions		
Reporting of STR	Internal procedures for reporting of suspicious transaction to the CO		
	Procedures for the reporting of suspicious transactions to the FIU		
	Notification that tipping off is an offence		
Record keeping requirements	Identification of the types of records to be maintained		

	The retention period for the records to be maintained		
	Stating how the records will be stored		
Screening of persons before recruitment	Outlining the types of documents to be requested from the applicant		
Independent testing and assurance framework	Outlining the obligation to conduct independent testing		
	Frequency and intensity of tests conducted		
Periodic reporting to the FIU	Outlining the mechanism in place for the submission of the Cash Threshold Transaction Report		
	Outlining the mechanism in place for the submission of the Compliance Report		
Acknowledgement from employees	Provision for employees to confirm that they have read and understood the Manual		