

Ten things every Country AML Officer should know

By Standard Chartered Bank, February 2019

Successfully carrying out the role of the Country Anti Money Laundering Officer (CAMLO) in any Financial Institution has never been more challenging or as important as it is today. Not only must the CAMLO be a subject matter expert in fighting financial crime, but they must also have sound banking knowledge, strong management and communication skills, a good understanding of technology and be trusted by both management and regulators. The CAMLO must also be brave as personal liability is increasingly seen as part of the job, albeit an unwelcome one.

As fighting financial crime becomes ever more central for FIs around the world, a successful financial crime programme is dependent upon effective CAMLOs. Here at Standard Chartered not only do we invest heavily in providing our CAMLOs with the right tools and support to be successful, we also challenge them on 10 minimum things we expect them to know and know well! We thought it useful to share these more broadly across the fighting financial crime community to support CAMLOs across the industry.

1. Do you understand sufficiently the Financial Crime Risks (FCR) that face your FI (both present and emerging) as well as the legal and regulatory framework that applies to it?

In order to satisfy these expectations, a CAMLO must

- Be very familiar with the contents of any published Country Risk or Threat Assessment and published materials from other credible sources that describe risks and threats;
- Be very familiar not only with local laws and regulations but also with international standards (e.g. the FATF 40 Recommendations, Wolfsberg Group publications) and have a working knowledge of leading manuals (e.g. the FFIEC Manual in US and the JMLSG in the U.K.);
- Be very familiar with Group Policies and Procedures including those on Sanctions, Anti-Money Laundering (AML) and Anti-Bribery and Corruption (AML).

2. Do you understand and can you describe the results and actions arising from the annual FCR assessment?

In order to satisfy these expectations, a CAMLO must:

- Be able to understand the methodology to calculate inherent risk, controls effectiveness and residual risk;
- Be able to describe the current results for inherent risk and controls effectiveness, how they differ from the last assessment and the recommended actions to ensure the FI remains within risk appetite;
- Ensure actions are tracked to completion and be able to communicate these at the Country FCR Committee.

“We operate in progressive and dynamic markets. The pace of change is rapid and our methods to fight financial crime need to keep up. We can either wait for changes to hit us or take the lead in deciding these changes ourselves through thought leadership and partnering with our regulators, customers and communities.”

Sami Ahmed Siddiqui | Head, FCC Pakistan
Standard Chartered Bank

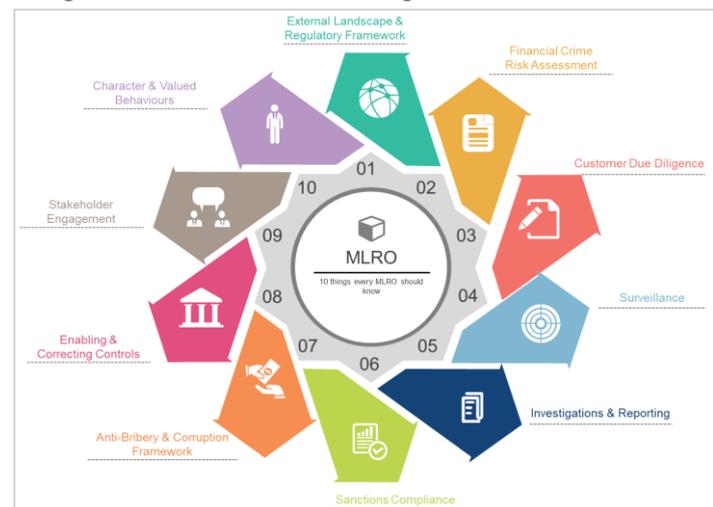
3. Do you understand and can you describe the Customer Due Diligence (CDD) procedures, including how the Product Risk Assessment (PRA) and Customer Risk Assessment (CRA) methodologies affect risk ratings for both products offered and customers accepted? Do you understand and can you describe the mitigating controls needed based on risks presented?

In order to satisfy these expectations, a CAMLO must:

- Be confident that all local regulatory requirements are included to supplement Group CDD requirements;
- Be able to understand and articulate the risk factors and variables in the PRA and the CRA, methodology;
- Apply measures to higher risk products and customers to

ensure that residual risk remains within the Group's risk tolerance and that customers beyond the Group's risk tolerance are not onboarded;

- Be able to understand and articulate how customers are onboarded; ensure that periodic CDD reviews are quality checked and timely; and ensure that such information is regularly tested, reported and remains within tolerance;
- Ensure necessary training is carried out on all aspects of CDD, particularly for the first line of defence;
- Be able to demonstrate close monitoring and assessment of higher risk customers, including PEPs.



4. Do you understand and can you describe the surveillance activities, including transaction and name screening, list management and transaction monitoring?

In order to satisfy these expectations, a CAMLO must:

- Be confident that Group surveillance activities are supplemented by measures to meet all local regulatory requirements;
- Be confident that the set-up, configuration, coverage and tuning of surveillance operations are acceptable, and not simply be reliant on the assurances of others or take those assurances;
- Ensure that the surveillance activities are reviewed and refreshed periodically (e.g. tuning of transaction monitoring detection scenario parameters) taking into consideration local risk and any regulatory requirements or expectations.

5. Do you understand and can you describe the Investigations process?

In order to satisfy these expectations, a CAMLO must:

- Be confident that alerts and cases are thoroughly investigated and that decisions to close and or escalate a case are reasonable and timely, that metrics on quality control and timeliness are available, and that they show these activities are operating within tolerances;

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- Ensure that SAR filing is working well, from the perspective of both the quality and timeliness of the decision to file a SAR, and whether the SAR assists Law Enforcement;
 - Ensure that “need to know” restrictions are applied to these activities and in particular to SAR Filings;
 - Ensure that activities, such as responding to production orders, exit management, watch list management, placing markers or implementing additional controls (e.g. additional CDD reviews or heightened monitoring) are operating effectively;
 - Ensure accurate and timely regulatory reporting such as cash transaction or international transfers reporting;
 - Ensure notifications to other FI’s (intra group) involved in a case of concern, as appropriate;
 - Ensure periodic reviews are carried out to highlight trends coming from investigations and insights into realized risks.
- Ensure that ABC controls are embedded within the areas of inherent risk and are working effectively, including: intermediaries; suppliers of services; staff hiring & vetting; sponsorships & donations; third party payments; gifts & entertainment; and asset acquisition and disposal. Refer to our article – “The ABC of Anti-Bribery and Corruption: Assessing the Risks”
 - Ensure that ABC-related matters or violations are escalated, with appropriate actions and consequences.

8. Do you understand and can you describe the enabling and correcting controls in place for an effective and sustainable internal control system?

In order to satisfy these expectations, a CAMLO must:

- Be able to describe and demonstrate effective enabling controls, including: governance; assurance and testing; established three lines of defence; a functioning risk assessment; comprehensive training and awareness; the right number and quality of people and resources; quality management information and reporting; effective project and change management; specialist technology support; and an authentic tone from the top;
- Be able to demonstrate that correcting controls are in place to ensure a proportionate response is taken once an unwanted risk has materialized e.g. disciplinary action; accountability reviews; root cause analyses; lessons learned reviews; and the publication of codes of conduct. Refer to our article - Modernising the Fight Against Financial Crime: In search of a model to measure "effectiveness"

9. Are you engaging with your internal and external stakeholders at the right level?

In order to satisfy these expectations, a CAMLO must:

- Engage proactively with Regulators on FCC matters, providing updates on the remediation status of any specific FCC concerns regarding the FI;
- Establish regular engagement with Law Enforcement to seek feedback on SARs or Production Orders;
- Have complete oversight of any open Audit/Assurance issues and be fully engaged with their internal auditors or reviewers to discuss those issues;
- Keep the Board, CEO and the Risk Committees informed of all relevant FCC matters and the status of open items.

10. Do you possess the necessary character and demonstrate the valued behaviours?

In order to satisfy these expectations, a CAMLO must:

- Be able to demonstrate courage, conviction, resourcefulness, resilience and wisdom as well as a determination to demonstrate Standard Chartered’s valued behaviours of “do the right thing”, “never settle” and be “better together”. Despite CAMLO being a one person job it still requires that he or she embrace the idea that fighting financial crime is a team sport.

“These questions are a handy reference point to refresh your knowledge of the end to end responsibilities of a CAMLO”

Beng Soon Yu | Head, FCC Singapore
Standard Chartered Bank

6. Do you understand and can you describe the procedures for sanctions compliance to mitigate the risk of a breach of any sanction or prohibited dealing?

In order to satisfy these expectations a CAMLO must:

- Be confident that operating procedures and controls can identify a sanctions nexus and prevent dealings, directly or indirectly, that involve or benefit Sanctioned Parties, Countries and Territories, to a standard acceptable under the Group policy and local jurisdiction requirements;
- Be confident that local names (whether from external lists, production orders, SARs, exits etc.) are managed well locally and that global lists are updated promptly with these names, within the time threshold;
- Be confident that all Sanctions reports, including potential circumvention attempts, are correct and timely and that metrics on quality control and timeliness show these activities are operating within tolerance;
- Ensure that all applicable Group-wide and local regulatory requirements to freeze any assets or transactions are met and that follow up client actions, such as exits, watch listing and placing account markers are operating effectively;
- Ensure that your country is not undertaking activities that could potentially affect the Group’s ability to comply with the law of other countries;
- Ensure that there are no gaps in systemic controls to block customer communications from sanctioned countries, and that any such gaps are mitigated through additional controls (e.g. call-back verifications).

7. Have you assured yourself that the Anti-Bribery and Corruption Framework is operating effectively?

In order to satisfy these expectations, a CAMLO must:

- Understand and be able to describe ABC related inherent risk, controls effectiveness and residual risk;

“These 10 questions should be embraced by every member of the FCC team in discharging their responsibilities and making decisions.”

Stanley Wu | Head, FCC Hong Kong
Standard Chartered Bank