

# Compliance Commission's Training for Registrants of The Compliance Commission

TOPIC: An Overview Of The CC Assessment Of Submitted Policy  
& Procedure Documents And Risk Assessments By DNFBPs

---

December 17<sup>th</sup> & 18<sup>th</sup> 2020

# Policy & Procedures Document (P&P) - COMMON DEFICIENCIES

---

- UPDATING OF AML/CFT legislation - The references to the AML/CFT legislation need to be updated as it still refers to FTRA 2000, the FTRA 2000 was repealed and the FTRA 2018 enacted, refer to the CC website under the Regulatory & Legal Framework Tab and Key legislations.
- POLICY STATEMENT - The P&P must begin with a policy statement confirming the firm's commitment to fulfilling its AML/CFT/PF obligations and stating that it is designed to help employees detect and prevent money laundering (ML), terrorist financing (TF), proliferation financing (PF) other identified risks. (Define terms including terrorism and proliferation and state relevant AML/CFT legislation & guidelines.)
- UPDATING & APPROVE THE P&P & Risk Assessment - State obligations to update the P&P document and triggers for an update. The P&P must be approved by senior management. State the obligation to conduct a risk assessment, triggers to update the risk assessment and that it must be approved by senior management. (refer to section 5 of the FTRA 2018) The P&P and risk assessment is updated in the internal compliance effectiveness review, minimum every two years. (review section 17 & 18 of the CC Codes).

# Policy & Procedures Document (P&P) - COMMON DEFICIENCIES

---

- STAFF AWARENESS OF P&P - The requirement for all relevant staff to read and acknowledge understanding of the obligations in the P& P should be included.
- INTERNAL COMPLIANCE EFFECTIVENESS REVIEWS - Update or implement internal compliance effectiveness review obligation - lack of understanding of what is an internal compliance effectiveness review and confusion with monitoring.
- APPROVAL OF SENIOR MANAGEMENT FOR HIGH-RISK CLIENTS - All high-risk clients including PEPs must be approved by senior management.

# Policy & Procedures Document (P&P) - COMMON DEFICIENCIES

---

- **SUSPICIOUS TRANSACTION PROCEDURES** - In the section on Suspicious Activity monitoring and reporting give examples of suspicious activity, red flags, explain what is “tipping off” and penalty.
- **CDD PROCEDURES NEED UPDATING** - Review section 20 - 22 on CDD in the CC Codes and make relevant updates to the section on CDD for clients- the CC CDD risk-based guidance note on the CC website with sample KYC forms - note third party determination, PEP identification requirement on the KYC forms. Also, the section on exempt from verification, simplified and standard due diligence and circumstances in which a firm may apply reduced due diligence.
- Explain the characteristics of high-risk clients, medium and low risk clients - risk rating/assessment form with the risk classifications i.e., high, medium or low based on a defined process for risk-rating clients
- **RESPONSIBILITIES OF THE CO & MLRO** - State the responsibilities of the Compliance Officer and MLRO.

# Policy & Procedures Document (P&P) - COMMON DEFICIENCIES

---

- PROCEDURES FOR EDD, KYE, FAILURE TO COMPLETE CDD, MONITORING & KEEPING CDD UP TO DATE - Include the procedures for applying EDD for persons or transactions in FATF designated high risk countries, EDD procedures and Know your Employee (KYE) program. Add to the procedure for failure to complete CDD the requirement to consider filing a STR. In addition, monitoring/keeping CDD up to date. (section 24 in the CC Codes)
- PROCEDURES FOR COMPLIANCE WITH UN SANCTION OBLIGATIONS - Provide more detail regarding the procedures for compliance with UN sanctions, for example that the firm receives the list of UN sanction entities from the CC and checks its client list and complies with the requirements in section 44-49 of the ATA 2018. In addition, checks its client list against the UN sanction consolidated list taking into account the client's risk-level.
- PEPs - Define PEP and types of PEPs and measures undertaken to identify. (refer to the CC Codes).

# Policy & Procedures Document (P&P) - COMMON DEFICIENCIES

---

- AML/CFT STAFF TRAINING - How the firm will meet its AML training obligation.
- ELIGIBLE INTRODUCER PROCEDURES - Updating of eligible introducer procedures.
- RISK APPETITE - CC recommends defining the risk appetite of the firm.
- Tailor the P&P to the size and business of the firm.

# RISK ASSESSMENTS - AREAS FOR IMPROVEMENTS

---

- **INHERENT RISK IDENTIFICATION** - This is your business you know best the inherent risk - explain risks, risk rating and document control measures. The risk assessment needs to be specific to the inherent risks and controls in place at the firm i.e., business operations, customers, geographical, products/services/transactions, and delivery channels. For example, what is the jurisdictions of your clients? How many PEPs, high or low risk? The client risk assessment is one factor in the risk assessment. Accordingly, the risk assessment framework must assess the risk of clients, delivery channels, geographical regions including the location of the firm, client and transactions for example, products/services and any other relevant factor.

# RISK ASSESSMENTS - AREAS FOR IMPROVEMENTS

---

- DELIVERY CHANNELS - include in the risk assessment
- CLIENTS/GEOGRAPHICAL REGIONS - MORE DETAIL SPECIFIC TO THE FIRM
- CONTROLS - MORE DETAIL ON CONTROLS TO MITIGATE RISK
- NATIONAL RISK ASSESSMENT - The risk assessment must also incorporate the results of the latest National Risk assessment of The Bahamas (refer to the CC website under Publication, NRA summary, the CC Codes on the risk-based framework).



# ESTABLISHING A RISK ASSESSMENT FRAMEWORK

---

- Tailor the risk assessment to the size and business of the firm.
- CC will issue a template with further guidance on P&P & RA in 2021.

---

**THANK YOU FOR YOUR ATTENTION!**