



# Compliance Commission

## Outsourcing of AML Functions

AML REGISTRANT TRAINING  
BY: THE COMPLIANCE COMMISSION OF  
THE BAHAMAS  
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# What is outsourcing?

Outsourcing is a business practice in which a company hires a third party to perform tasks, handle operations or provide services for the company. The outside company, which is known as the service provider or a third -party provider, arranges for its own workers or computer systems to perform the tasks or services either onsite at the hiring company's own facilities or at external locations.



# Why do registrants Outsource the AML Compliance Function?

Advisers can provide a number of products and services including:

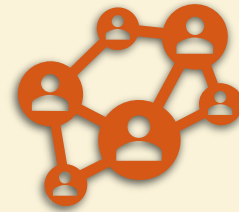
- Building your understanding of the ML/TF/PF risks facing your sector and your business
- Providing advice on your AML/CTF/CPF obligations
- Assisting you to develop a tailored money laundering and terrorism financing risk assessment for your business
- Assisting you to develop a tailored AML/CTF/CPF program for your business
- Training your staff on AML/CTF/CPF matters



# Products and services offered by an AML advisor.

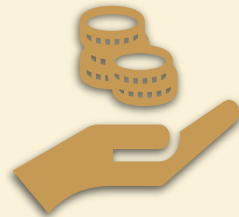


Advising on the ML/TF/PF risks facing your industry



Tailoring an AML/CTF/CPF program for your business

Providing advice on your AML obligations



Training your staff on AML matters



Conducting a ML/TF/PF risk assessment of your business



Conducting an independent review of your AML program



# What registrants should consider when selecting an AML Advisor?

What to look out for with regards to the advisers:

- Have you check and verified your adviser has relevant qualifications or experience, both with AML/CTF/CPF and your industry?
- Have you contacted their referees and verified the quality of their work with pervious clients?

Things to avoid when selecting on advisor:

- The adviser is not familiar with the AML/CTF/CPF regulatory framework and your obligations.
- The adviser is not familiar with your industry or type of business.

What to look out for with regards to the service

- The risk assessment and the AML/CTF/CPF program
  - Have you checked that the ML/TF/PF risk assessment of AML program they propose is compliant with the AML Act and AML Rules?
  - Have you checked that the ML/TF/PF risk assessment of AML program is not a template, and is tailored to your specific business needs?
  - Do you know what is in your ML/TF/PF risk assessment or AML program and how these work, without needing to ask your adviser?



# What registrants should consider when selecting an AML Advisor?

## The Training

- Is the training they provide your employees tailored to the specific needs of your business and its ML/TF/PF risks?
- Is the training they provide your employees delivered frequently and in a way that is engaging for your staff?
- Does the training provide your employees with a solid understanding of the MT/TF/PF risks you reasonably face, and their respective roles in meeting your AML obligations?
- Practical tips on how to recognize and report ML/TF/PF
- Insights into relevant ML/TF/PF techniques and methodologies

## The Review

- Can you demonstrate that the person you engaged to undertake independent reviews of your AML program was not involved in the design, implementation or maintenance of your program, or the development of your ML/TF/PF risk assessment and controls?

## Things to avoid with regard to service

- The ML/TF/PF risk assessment, AML program or staff training your adviser provides is a generic template, which they offer to all businesses, and is not tailored to your specific needs.
- The adviser develops your ML/TF/PF risk assessment, AML program or staff training without consulting you about your ML/TF/PF risks and your existing safeguards to mitigate and manage those risks.
- The AML risk awareness training they provide to your employees is very brief, general, or is easy for employees to complete without much engagement.
- The person you engage to review your AML program should not be the same person who designed and implemented the program for your business.



# Some of the Advantages and Disadvantages to AML Outsourcing

## Advantages

- Access to specialist technology and systems
- Potential low cost of labour
- The outsourced adviser would be able to focus solely on the compliance task.

## Disadvantages

- Lack of control – Even with providing the company with direction with regards to what is needed from them you relinquish control.
- Communication Issues – It is important that both parties agree to preferred communication type. A drawback could be the speed of responses/replies which can delay account completion.
- Quality – The expected quality may not be up to the firms standard.
- Confidentiality – With another firm having access to clients confidential data the risk of data breach has to be taken into consideration.



# Best Practices

Registrants must ensure that the outsourcing agreement is in writing and signed off by all considered parties.

The outsourcing agreement with a third party should be reviewed and updated as necessary to ensure that it continues to address accurately the outsourced function and the role of the third party to whom the outsourced function has been designated.

Compliance function when outsourced must remain subject to appropriate oversight by the Head of Compliance and/or the Compliance Committee.

Registrants should ensure that any arrangements of an outsourced function does not impede the effective on-site examination by the Commission or its representative.

Senior management remains responsible for full compliance with all AML laws, guidelines and regulations.

The outsourced functions must also remain within the jurisdiction





**Thank You!**