



EFFECTIVE SUPERVISION

BY

**THE ANTI-MONEY LAUNDERING/COUNTERING THE FINANCING OF
TERRORISM (AML/CFT)**

SUPERVISORY AUTHORITIES

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ACRONYMS

AML/CFT	Anti-Money Laundering and Countering the Financing of Terrorism
CDD	Customer Due Diligence.
CFATF	Caribbean Financial Action Task Force
DNFBP	Designated Non-Financial Business or Profession
RE	Reporting Entity
FATF	Financial Action Task Force.
FI	Financial Institution
ML/TF	Money Laundering and Terrorist Financing.
RBA	Risk-Based Approach
SA	Supervisory Authority
TFS	Targeted Financial Sanctions

I. DEFINITIONS

"Designated Non-Financial Business or Profession" means any of the following-

- (a) casinos, betting shops or lotteries, including a person who carries on such a business through the internet, when their customers engage in financial transactions equal to or above five hundred thousand dollars or such lower amount as may be prescribed by the Minister responsible for Finance;
- (b) real estate agents, when they are involved in transactions for their client relating to the buying and selling of real estate and real estate brokers;
- (c) dealers in precious metals and dealers in precious and semi-precious stones, including, but not limited to those covered when they engage in any cash transaction with a customer equal to or above two million dollars or such lower amount as may be prescribed by the Minister responsible for Finance;
- (d) Attorneys-at-law, notaries, other independent legal professionals and accountants when they prepare for or carry out transactions for their client relating to the following activities-
 - (i) buying and selling of real estate;
 - (ii) managing of client money, securities or other assets;
 - (iii) management of bank, savings or securities accounts;
 - (iv) organisation of contributions for the creation, operation or management of companies; or
 - (v) creation, operation or management of legal persons or arrangements, and buying and selling of business entities;
- (e) a trust or company service provider not otherwise covered by this definition, which as a business, provides any of the following services to third parties –
 - (i) formation or management of legal persons;
 - (ii) acting as (or arranging for another person to act as) a director or secretary of a company, a partner of a partnership, or a similar position in relation to other legal persons;
 - (iii) providing a registered office; business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement;
 - (iv) acting as (or arranging for another person to act as) a trustee of an express trust; or
 - (v) acting as (or arranging for another person to act as) a nominee shareholder for another person; and

(f) such other business or profession as may be prescribed by the Minister responsible for Finance.¹

"Financial Institution" means any company or business that engages in any of the following activities-

- (a) acceptance of deposits and other repayable funds from the public, including, but not limited to, private banking;
- (b) lending, including, but not limited to, consumer credit, mortgage credit, factoring (with or without recourse), and financing of commercial transactions, including forfeiting;
- (c) financial leasing other than with respect to arrangements relating to consumer products;
- (d) the transfer of money or value;
- (e) issuing and managing means of payment, including, but not limited to, credit cards, travelers' cheques, money orders and bankers' drafts, and electronic money;
- (f) issuing financial guarantees and commitments;
- (g) trading in-
 - (i) money market instruments, including, but not limited to, cheques, bills, certificates of deposit and derivatives;
 - (ii) foreign exchange;
 - (iii) exchange, interest rate and index instruments;
 - (iv) transferable securities; and
 - (v) commodity futures trading;
- (h) participating in and underwriting securities issues and the provision of financial services related to such issues;
- (i) individual and collective portfolio management;
- (j) safekeeping and administration of cash or liquid securities on behalf of other persons;
- (k) investing, administering or managing funds or money on behalf of other persons;

¹ First Schedule, AML/CFT Act 2009.

(I) underwriting and placement of life insurance and other investment-related insurance, as well as insurance intermediation by agents and brokers;

(m) money and currency changing; and

(n) such other activity, business or operation as may be prescribed by the Minister responsible for Finance².

"Other Activities and Businesses subject to the AML/CFT Act" means pawnbrokers, credit unions, exporters and importers of valuable items, used car dealers or car parts dealers, registered charities, cooperatives.³

"Proliferation financing" refers to the act of providing funds or financial services which are used, in whole or in part, for the manufacture, acquisition, possession, development, export, trans-shipment, brokering, transport, transfer, stockpiling or use of nuclear, chemical or biological weapons and their means of delivery and related materials (including both technologies and dual use goods used for non-legitimate purposes), in contravention of national laws or, where applicable, international obligations⁴.

"Reporting Entity" means any person whose regular occupation or business is the carrying on of —

- (a) any activity listed in the First Schedule of the AML/CFT Act 2009; or
- (b) any other activity defined by the Minister responsible for Finance as such by an order published in the *Gazette* amending the First Schedule⁵.

"Supervisory authorities" refer to the designated competent authorities with responsibilities aimed at ensuring compliance by reporting entities with requirements to combat money laundering and terrorist financing.

"Targeted financial sanctions" mean both asset freezing and prohibitions to prevent funds or other assets from being made available, directly or indirectly, for the benefit of designated persons or entities⁶.

² First Schedule AML/CFT Act 2009.

³ First Schedule AML/CFT Act 2009.

⁴ FATF Report – Combating Proliferation Financing: A Status Report on Policy Development & Consultation February 2010

⁵ Section 2(1) AML/CFT Act 2009

⁶ General Glossary FATF International Standards on Combating Money Laundering the Financing of Terrorism & Proliferation.

II. TARGET AUDIENCE

The target audience of this document includes the following supervisory authorities for financial institutions (FIs) and Designated Non-Financial Business or Professions (DNFBPs):

- (i) **Bank of Guyana**, designated supervisor for *Banks, Money Transfer Agencies, Cambios, Insurance Companies and Non-Bank Financial Institutions*);
- (ii) **Guyana Securities Council**, designated supervisor for *Securities Companies*;
- (iii) **Gaming Authority**, designated supervisor for *Casinos and Lotteries*;
- (iv) **Guyana Revenue Authority**, designated supervisor for *Pawnbrokers, Used/Car Parts Dealers, Betting Shops and Real Estate/House Agents*;
- (v) **Guyana Gold Board**, designated supervisor for *Dealers in Precious Metals (Gold Dealers)*;
- (vi) **Guyana Geology and Mines Commission**, designated supervisor for *Dealers in Precious and Semi-Precious Stones (Diamond Dealers)*;
- (vii) **Chief Co-operative Development Officer**, designated supervisor for *Cooperatives and Credit Unions*; and
- (viii) **Registrar, Friendly Societies**, designated supervisor for *Registered Charities/Non-Profit Organizations*.

This document may also be useful to reporting entities which may utilize same to grasp an appreciation of the expectations of supervisory authorities as they strive to effectively supervise their respective reporting entities.

III. OBJECTIVE

The objective of this document is to describe the features of an effective supervisory system, with the aim of enhancing the supervisory authorities' knowledge and understanding of their obligations under the Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) legislation as well as the relevant recommendations under the Financial Action Task Force (FATF) Standards.

This document supplements the Examination Guideline for AML/CFT Supervisory Authorities — Guideline No. 1 of 2015 published in April 2015 and must be used in conjunction with the AML/CFT legislation and the Financial Action Task Force (FATF) Standards.

Effective supervision is an important component of effective anti-money laundering and countering the financing of terrorism (AML/CFT) regime. For the purposes of this document, an effective supervisory system comprises a wide range of preventive measures, related sanctions⁷ and other remedial actions⁸ that supervisory authorities may apply.

The basic requirements to guide supervisory authorities and with which they should comply, are contained in the AML/CFT legislation and FATF Standards as follows:

- Sections 22 and 23 of the AML/CFT Act, 2009 (as amended);
- FATF Recommendation 1 (Assessing risks and applying risk-based approach),
- FATF Recommendation 2 (National cooperation and coordination),
- FATF Recommendations 26 (Regulation and supervision of financial institutions),
- FATF Recommendation 27 (Powers of supervisors),
- FATF Recommendations 28 (Regulation and supervision of DNFBPs),
- FATF Recommendation 34 (Guidance and feedback),
- FATF Recommendation 35 (Sanctions), and
- FATF Recommendation 40 (Other forms of international cooperation).

The role of a supervisory authority under Guyana's AML/CFT framework is to have oversight and monitor reporting entities (REs) to ensure they effectively assess the ML and TF risks faced by their entities.

⁷ Sanctions that a supervisor can impose include: written warnings; orders to comply with specific instructions; ordering regular reports from the institution on the measures it is taking; prohibiting convicted persons from employment within the sector; suspension, restriction or withdrawal of licence; removing, replacing or restricting the powers of managers, directors, and controlling owners; fines for non-compliance; or criminal penalties.

⁸ Examples of remedial actions are corrective actions such as written agreements, board resolutions/letters, supervisory letters, action plans, timelines, and reprimands.

The SAs must also ensure that REs implement strategies to effectively manage and mitigate these risks, while also ensuring their full compliance with the requirements of sections 15, 16, 18, 19 and 20 of the AML/CFT Act 2009 (as amended).

Supervisory authorities should specifically examine and assess reporting entities policies, procedures, systems and controls for identifying and managing ML/TF risk, and take remedial action where appropriate. It should not be a "tick the box" approach; it requires judgment in understanding the characteristics and situation of every reporting entity.

If weaknesses in risk management programs or breaches of laws or regulations are identified, supervisory authorities should apply a proportionate range of remedial actions to address the identified weaknesses, including appropriate sanctions up to and including financial penalties for more severe breaches of the AML/CFT legal or regulatory requirements.

With the introduction of FATF Recommendations 6 and 7 which deals with Targeted Financial Sanctions (TFS) related to terrorism, terrorist financing and proliferation financing, supervisory authorities are also required to pay attention to the implementation of TFS, by all reporting entities.

IV. BASIS OF AN EFFECTIVE SUPERVISORY SYSTEM

Immediate Outcome⁹ 3 (IO3) of the FATF Methodology sets out a number of factors for an effective supervisory regime. These include but are not limited to:

- (a) How well do licensing, registration or other controls implemented by supervisors or other authorities prevent criminals and their associates from holding, or being the beneficial owner of a significant or controlling interest or holding a management function in a RE? How well are breaches of such licensing or registration requirements detected?
- (b) How well do the supervisors identify and maintain an understanding of the ML/TF risks in the financial and other sectors as a whole, between different sectors and types of institution, and of individual institutions?
- (c) With a view to mitigating the risks, how well do supervisors, on a risk-sensitive basis, supervise or monitor the extent to which FIs and DNFBPs are complying with their AML/CFT requirements?
- (d) To what extent are remedial actions and/or effective, proportionate and dissuasive sanctions applied in practice?
- (e) To what extent are supervisors able to demonstrate that their actions have an effect on compliance by FIs and DNFBPs?
- (f) How well do the supervisors promote a clear understanding by FIs and DNFBPs of their AML/CFT obligations and ML/TF risks?

The above factors are explored in greater detail below:

A. MARKET ENTRY

Market entry controls (e.g., licensing or registration) are meant to prevent criminals or their associates from owning, controlling, holding a significant or controlling interest, or holding a management function in a reporting entity. Such controls should be applied to the directors or senior management officials, at the time of initial licensing or registration of the reporting entities.

⁹ The FATF assesses effectiveness primarily on the basis of eleven “Immediate Outcomes”. Each outcome represents one of the key goals which an effective AML/CFT system should achieve.

All reporting entities should be licensed or registered in accordance with their respective laws, and the AML/CFT policies and procedures, as well as any other requirements.

Fit and proper tests and/or background checks as well as beneficial ownership determination should be carried out prior to granting of licence or registration. Supervisors may seek information from law enforcement or share with the relevant authorities, information discovered by the supervisor or any third party conducting a fit and proper test and/or background check. This may lead to the rejecting of an application for reasons of criminality, unfitness or impropriety.

B. UNDERSTANDING THE ML/TF RISKS

FATF Recommendation 1, requires countries to identify, assess, and understand their money laundering and terrorist financing risks, and apply resources aimed at ensuring the risks are effectively mitigated.

In order for countries to demonstrate effective risk management and risk mitigation programs, it is essential for all levels of the legislative framework to have appropriate risks management programs; not only at the national level but it must extend to the Supervisory Authorities and the Reporting Entities.

Based on the assessments, countries, supervisory authorities and reporting entities are required to apply a risk-based approach (RBA) to ensure that measures to prevent or mitigate money laundering and terrorist financing are commensurate with the risks identified. This risk-based approach is an effective way to combat money laundering and terrorist financing.

By adopting a risk-based approach, REs and SAs would be able to ensure that measures to prevent or mitigate money laundering and terrorist financing are commensurate with the risks identified, and would be able to make decisions on how to allocate their resources in the most effective way. The RBA is not intended to be a "zero failure" approach. For example, there may be occasions where a reporting entity has taken all reasonable measures to identify and mitigate ML/TF risks, but the entity is still used for ML or TF purposes.

Additionally, when a reporting entity does not effectively mitigate its risks due to:

- (a) failure to understand its risks,
- (b) failure to implement an appropriate risk-based strategy, or
- (c) failure of a risk-based program that was not adequate in its design,

the supervisory authorities should take action to ensure that the reporting entity corrects the deficiencies in its risk management and improves the level of compliance with AML/CFT requirements and FATF Standards.

C. SUPERVISION AND MONITORING TO MITIGATE ML/TF RISKS

Ongoing AML/CFT supervision comprises assessing the kinds and quality of controls in place by reporting entities to detect and deter ML and TF, based on the assessed risks.

Effective supervision should:

- (i) be risk-based, focusing on a wide range of risks, including, reputational risk, operational risk, legal risk and concentration risk;
- (ii) be the result of a combination of off-site/desk-based and on-site supervision; and
- (iii) be based on having appropriate access to all the books and records of each reporting entity.

In a risk-based regime, reporting entities must adopt controls relevant to their business model and assessed risks. All reporting entities are therefore not expected to adopt identical AML/CFT controls. Furthermore, isolated incidents of AML/CFT deficiencies that do not give rise to a higher risk level may not necessarily invalidate the integrity of a reporting entity's AML/CFT controls.

Features of effective control/monitoring processes

The supervisory authority should take adequate measures to identify and understand the ML/TF risks faced by reporting entities under their purview. These risks include, at minimum, the ML/TF risks associated with REs' customers, products, geographical reach and delivery channels as applicable.

The risk profiles of reporting entities should be reviewed periodically, including where there has been a change in circumstances, such as changes in management or business activities.

Additionally, when determining the approach towards supervision in a particular sector, supervisors should consider the nature, size and structure of the reporting entity as well as risk and complexity of products of the reporting entity being supervised. Supervisors may have greater expectations of larger reporting entities with high risk. In other words, what constitutes an effective supervisory approach for the banking sector may not be a suitable approach for other types of reporting entities (i.e., casinos, real estate agencies, insurance companies, money transfer agencies and cambios) given the varied level of risk by the different sectors.

Generally, reporting entities that are assessed as higher ML/TF risk by supervisors should be subject to closer supervision, such as more frequent and/or more comprehensive AML/CFT examinations/inspections (e.g., where there are indications that a ML/TF risk may have crystallized).

Supervisory examination processes should include the following¹⁰:

- (a) The supervisory authority should have clear and adequate methodologies and procedures for off-site/desk-based supervision and on-site inspections.

Off-site monitoring tools may include self-assessment questionnaires on the policies, procedures and controls that are put in place by the reporting entities.

On-site assessment tools may include assessing the adequacy of AML/CFT controls, such as management reporting and oversight.

¹⁰ These are in addition to those provided in Supervisory Guideline No 1 of 2015

- (b) The supervisory authority should ensure that officers carrying out AML/CFT inspections are adequately trained and have up-to-date knowledge of AML/CFT laws, regulations, FATF Standards and requirements.
- (c) In addition to supervision of individual reporting entities, the SA should, where appropriate, conduct risk-based assessments across all sectors or sub-sectors where the supervisor considers the risks warrant this approach: for example, where a group of reporting entities faces the same threats and vulnerabilities.
- (d) Where appropriate, the supervisory authority should conduct consolidated AML/CFT supervision of the overseas branches and subsidiaries of reporting entities headquartered in its country.
- (e) The supervisory authority should also consider taking risk-sensitive measures to inspect or review reporting entity's governance and controls over third party service providers, where AML/CFT measures are outsourced to others as agents of the reporting entity, in order to determine whether the reporting entity's arrangements comply with its AML/CFT obligations.

For more details on the supervisory examination process, please consult the Examination Guideline for AML/CFT Supervisory Authorities - Guideline No. 1 of 2015 on the FIU's website <http://fiu.org.gy>.

D. SUPERVISORY COORDINATION AND COOPERATION

Where the reporting entity operates in multiple jurisdictions and is subject to supervision by competent authorities from different countries, such coordination and cooperation should occur internationally. This is particularly relevant where the reporting entity involved is systemically important and/or operates in more than one country. Coordination can be on supervisory approaches, supervisory expectations and supervisory actions (control actions, remedial actions and enforcement actions), and information exchange.

Features of effective Supervisory coordination and Cooperation

Coordination, cooperation and information exchange with other national and international authorities on AML/CFT issues including financial sanctions are authorized by section 22(2)(c) and (g) of the AML/CFT Act.

National authorities with which AML/CFT supervisors may coordinate and cooperate include:

- (a) The Financial Intelligence Unit (e.g., exchange of information including information on the findings and recommendations of reports and sanctions imposed);
- (b) The Ministry of Finance (e.g., to collaborate on policy issues);
- (c) The Attorney General's Chambers (e.g. to collaborate on the preparation of laws, regulations and guidance);
- (d) Other supervisory authorities authorized via the AML/CFT Act (e.g., Bank of Guyana, Guyana Securities Council, Guyana Revenue Authority, Gaming Authority, Guyana Gold Board, Guyana Geology and Mines Commission, Chief Co-operative Development Officer and Registrar of Friendly Societies);
- (e) The Director of Public Prosecution's Chambers; and
- (f) The Guyana Police Force -Special Organized Crime Unit.

International authorities with which the AML/CFT supervisor may coordinate and cooperate include agencies in foreign jurisdictions performing similar functions to the AML/CFT supervisor.

International coordination and cooperation may include:

- a. Regular or ad-hoc cooperation and/or exchange of information in a timely manner, pursuant to specific requests from competent supervisory authorities in other countries;
- b. Examination of foreign establishments of reporting entities with the assistance of the supervisory authorities of the host country;
- c. Indirect cooperation with non-counterparts, in line with FATF Recommendation 40;
- d. Memoranda of understanding, consolidated supervision agreements between home and host supervisors of foreign-owned reporting entities, or other form of agreement which address cooperation and

- information exchange between authorities in different countries; and
- e. Participation in the relevant international meetings (e.g., the Basel Committee, the FATF, the CFATF, the Financial Stability Board, International Organisation of Securities Commission (IOSCO), International Association of Insurance Supervisors (IAIS), European Union meetings or other international media).

E. REMEDIAL ACTIONS AND SANCTIONS

Supervisory Remedial Actions

As required by the FATF Recommendations, SAs should have a sufficient range of sanctions available that can be applied proportionately, to greater or lesser breaches of supervisory requirements. This range should extend from taking informal remedial actions to taking formal supervisory actions. Sanctions applied in practice should address the specific deficiencies identified, and be effective at ensuring future compliance by the sanctioned institution, and dissuasive for non-compliance by others. These available sanctions are contained in section 23 of the AML/CFT Act 2009.

Remedial actions should seek not only to correct weaknesses in processes, procedures, systems or controls within reporting entities, but also to influence and foster a culture that contributes to effective risk management and compliance with the AML/CFT legislation. Remedial actions should be proportionate to the severity of the deficiency identified. They may include action plans with timelines, and supervisory follow-up actions, to ensure that the required measures are effectively implemented.

Features of effective Remedial Actions

(a) Communication to reporting entities

SAs should communicate clearly with reporting entities when issues arise, so that the reporting entities understand what are their failings and shortcomings. SAs should outline their expectations of the reporting entity (including the remedial action required), and the timeframe within which possible remedial work/actions must be completed.

Supervisory authorities should also appropriately escalate issues to senior management and/or the Board of Directors (as applicable) in instances where required remedial actions are in response to high impact issues, or where previous supervisory interventions have not been adhered to.

Supervisory authorities should determine whether their findings are isolated incidents caused by specific factors or a systemic risk at the reporting entity, or across the sector, and communicate their views to the relevant reporting entity(s).

(b) Range of Tools used, comprehensiveness and escalation process

The supervisor can apply a wide range of supervisory measures, such as:

- written warnings;
- order to comply with specific instructions;
- order regular reports from the financial institution on the measures it is taking;
- prohibit convicted persons from employment within the sector;
- recommend to the appropriate licensing authority (where the supervisor is not the licensing authority) for the suspension, restriction or withdrawal of reporting entity's license.
- In the case of default attributable to directors and senior management of a reporting entity, the supervisory authority is also empowered to direct the reporting entity to remove them from the Board or relieve them from their functions to which the default is related.

Further, the supervisory authority is also empowered to impose a fine of not less than five million dollars nor more than fifteen million dollars.

(c) Consistency

The SA should work closely with reporting entities to ensure that the targets and deadlines of the remedial actions are well understood and capable of remediating the identified issues within the set timeframes.

Follow-up on the implementation of remedial actions should be systematic and there should be an appropriate response where a reporting entity fails to fix the identified problems within the specified timeframe.

The SA should apply consistent policies with respect to remedial actions, while taking into account the specific characteristics of the reporting entity. The supervisor should apply comparable, proportionate solutions to similar issues/cases.

(d) Outcomes

Supervisory measures should lead to adequate changes in the behavior of reporting entities (e.g., strengthened AML/CFT controls, hiring experienced AML/CFT compliance officers, and enhanced AML/CFT training for employees of the reporting entities).

F. EFFECTS OF SUPERVISORY ACTIONS ON COMPLIANCE

The ML/TF risks may evolve and change over time. Consequently, it is important for SAs to understand what impact their actions are having on the compliance level of reporting entities with a view of ensuring that supervision is adequate to mitigate current and potential ML/TF risks. A number of elements can be used to achieve this. These include:

- (a) the results of follow-up actions,
- (b) the evolution of a sector or a particular entity's risk profile over time and following supervisory action (e.g., taking into account the adequacy of a reporting entity's AML/CFT measures which may change as a result of supervisory action), and
- (c) the extent to which businesses move into the formal financial system or remain in the underground/informal system.

Features of effective impact of supervision on compliance

Ideally, the results of follow-up actions must demonstrate that supervisory actions are having a positive impact on the level of AML/CFT compliance by reporting entities. In other words, follow-up actions should demonstrate that the reporting entity have responded to the supervisor's concerns in a timely manner (e.g., by correcting deficiencies, or implementing more robust AML/CFT controls) and is mitigating its ML/TF risks better.

Follow-up actions include using inspection/examination information and review of the reporting entity's audit reports to track progress over time.

(a) Optimal usage of findings: The supervisory authority should facilitate sharing of the findings of AML/CFT inspections among its relevant employees to ensure consistency of supervisory actions/measures at all times.

(b) Periodic review: The supervisory authority should also take the results of follow-up actions into account when reviewing a sector or particular

reporting entity's risk profile, and use this information for the purposes of fine tuning or recalibrating its inspection plans and supervisory approach, as needed, in order to mitigate current ML/TF risks.

G. PROMOTING A CLEAR UNDERSTANDING OF AML/CFT OBLIGATIONS AND ML/TF RISKS

Effective processes should ensure that clear, relevant, meaningful and up-to-date AML/CFT-related information is made available to reporting entities by supervisory authorities. Information provided by supervisory authorities can take any form. For example, it can be communicated in various ways, which may include –

- changes to the AML/CFT-related legal framework,
- explanation of the AML/CFT regulatory requirements,
- relevant typologies,
- updates on ML/TF vulnerabilities, risks and threats, and
- regulatory expectations.

If a detected risk is new, such risk should be assessed and relevant information should be shared with the reporting entity, and the supervisory authority should determine whether additional guidance or other action is necessary.

Information should be targeted for the audience, and may include guidance notes or via formal and informal meetings facilitated by the supervisory authority.

Features of effective information processes

Disclosed information to reporting entity should:

- (a) be based on a clear understanding of ML/TF risks (including vulnerabilities and threats) present at both national and international level.
- (b) be targeted, practical, up-to-date, easy to understand and apply;
- (c) outline supervisory authority's expectations and rationalize same, for example, it may be based on supervisory work experience (e.g., best practices, bad practices, high risk areas) and on relevant guidance provided by standard setters;
- (d) help reporting entity to identify ML/TF risks associated with customers, products and services, geographic areas of operations, or their distribution

channels, by providing risk indicators and/or typologies for identifying and monitoring risk; and

- (f) highlight new requirements, emerging ML/TF trends, and examples of recent supervisory actions, where appropriate.

The disclosed information should be easily accessible:

- (a) The supervisory authority should use as many different delivery channels as appropriate (e.g., web-based, written exchanges with individual reporting entities, bilateral meetings, seminars, conferences, outreach with representative associations, annual reports, advisory circulars) to communicate with reporting entities, and to enable the information to reach a wider audience.
- (b) If the supervisory authority has a website, it should be easy to navigate and may include a dedicated page or link for AML/CFT preventive measures, including guidance on TFS.

Generally, supervisory authorities should engage in open and on-going dialogue with their reporting entities. There should be clear and effective lines of communication between reporting entities and supervisory authorities. Where it is appropriate to give feedback, the supervisory authorities' responses should be clearly documented, and delivered in a timely fashion. Guidance or expectations can be communicated industry-wide through written materials, such as case studies or poor/better practices, or industry-wide training/seminars, so that all reporting entities are informed of good practices.

Guidance from the supervisory authority should be consistent. The supervisory authority should consistently review its AML/CFT guidelines and instructions to reporting entities to ensure that they are relevant and up-to-date.

The supervisory authority should also consult reporting entities before proposing to make new or amended guidelines or instructions, and respond to and clarify issues raised by the reporting entities.

V. CONCLUSION

Having provided the information contained in this document, it is anticipated that all SAs would be in a better position to understand and appreciate their roles and obligations as they relate to effective AML/CFT supervision. It is essential that SAs are able to demonstrate to both local and international observers, that their AML/CFT supervisory framework (which should be based on the AML/CFT legislation and Guidelines as well as the FATF standards) is functioning effectively.

Effective supervision can be achieved by all SAs ensuring that their AML/CFT supervisory regimes are equipped with the necessary tools and expertise, and are kept up-to date with the recent technologies and developments in the areas of ML, TF and proliferation financing. SAs also need to enforce effective, proportionate and dissuasive sanctions on REs who fail to comply with their AML/CFT obligations, ensure that the relevant employees are adequately trained, and that fit & proper criteria are in place to prevent criminals and their associates from controlling or managing a reporting entity.

An open and effective communication strategy between SAs and REs is also critical to the SAs achieving effectiveness in its overall supervisory activities.

VI. REFERENCES

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