



**ADAPTATION FUND**

# **The AF Fiduciary Standards and AML/CFT: the Accreditation Panel's Approach**

**NIE Seminar—Dominican Republic  
12-15 September 2023**



- ❑ FATF ([fatf-gafi.org](http://fatf-gafi.org)) is the Financial Action Task Force that assesses whether countries are taking effective action to tackle anti-money-laundering and countering the financing of terrorism (AML/CFT)—the Accreditation Panel peruses the FATF website for relevant information on the IE’s country of operation
- ❑ The AF Board has been considering the AML/CFT’s policy relevance to the accreditation process since 2012. The Board’s impetus on the topic contributed to its Oct 2018 decision (B.32/36, see page 26) to revise the accreditation application form for all IEs (whether financial institution or not)
- ❑ In summary, the accreditation application form (see Annex 2 to document AFB/EFC.23/4) was revised to provide additional AML/CFT examples of supporting documentation related to:
  - internal control framework (AML/CFT policies and procedures; screening system; and, dealing with risks)
  - Procurement (AML/CFT policies and procedures), and
  - policies and framework to deal with financial mismanagement (policies and procedures related to non compliance of AML/CFT policies and procedures).

# Evidence the Panel seeks from IEs (the PSRs)

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- ❑ The Panel is guided by the relevant AML/CFT Board decision (and by the examples of supporting documentation to be provided, as described in the accreditation application form)
- ❑ The Panel's approach could be called coverage of the **PSRs** (**P**olicies, **S**creening, and **R**isks—a new acronym, to complement the **3Cs**!: **c**ommitment, **c**apacity, and **c**omplaints), and seeks evidence from all IEs regarding:
  - The IEs' **P**olicies and procedures for AML/CFT (and provide the applicable national policies to the Panel)
  - The **S**creening procedure (against UN sanctions lists, for example) for the IEs' transactions (mostly KYC); also provide screenshots of the system in place as evidence
  - How IEs deal with **R**isks of non-compliance (i.e., either a vendor/transaction on the sanctions lists, or a transaction not being screened)

# Linkage of AML/CFT with KYC

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- ❑ AML/CFT procedures can be integrated with Know Your Customer (KYC) procedures (not a duplication, but one and only one procedure) and include, for example:
  - identification procedures for all “clients” (entities that wish to establish business with the IE), e.g., that is it a reputable and known entity, what is their background, etc.
  - record-keeping procedures for all “clients”
  - internal reporting/screening procedures for transactions with the “clients”, and
  - reporting mechanisms and related steps to address risks (transactions that are suspicious or non-compliant)

- ❑ In some instances, another entity may be processing transactions for the IE (such as when a ministry's transactions may be processed by the central bank, or by the ministry of finance; or when all IE transactions are executed through a commercial bank)
- The IE must still exercise its own due diligence over AML/CFT. Therefore, the Panel will still seek information from the IE on how these transactions are processed by another entity—it is not sufficient to explain to the Panel that existing legislation provides for AML/CFT policies and procedures: the Panel is seeking specifics and details—the Panel still expects that the IE will still have its own internal policies and procedures which address the accreditation standards, even if these procedures refer to another entity
- The IE's commercial bank can assist and provide additional information to the IE on its AML/CFT controls
- The IE's independent external auditor and its internal audit function may also provide additional information to the IE on AML/CFT controls





Thank you!

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Q&A

