

Guidance on AML/CFT

by Accreditation Panel of the Adaptation Fund

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THREE PILLARS OF ASSESSMENT

▶ COMMITMENT

- ▶ Organizational leadership's explicit commitment to AML/CFT standards
- ▶ Zero-tolerance policies on money laundering and terrorist financing
- ▶ Board/management-level declarations and directives

▶ CAPACITY

- ▶ Systems, procedures, and personnel resources
- ▶ Technology infrastructure for screening and monitoring
- ▶ Staff training and expertise
- ▶ Oversight mechanisms (audit, compliance functions)

▶ COMPLIANCE

- ▶ Operational effectiveness of policies and procedures
- ▶ Evidence of actual implementation (not just paperwork)
- ▶ Track record of consistent application
- ▶ Active monitoring and control testing

REQUIRED DOCUMENTS

▶ **AML/CFT Policy (Board-Approved)**

- ▶ Full policy on AML/CTF, publicly available
- ▶ Signed by highest authority

▶ **Governance Structure**

- ▶ Organization chart, AML-CFT Compliance Officer position
- ▶ Is the Governing Board and/or ad-hoc Board committee dealing with AML-CFT?
- ▶ Governing Board/Committee minutes

▶ **Internal Control Framework**

- ▶ How AML/CFT is operationalized
- ▶ Risk assessment methodology

▶ **Specific policies including AML/CFT provisions**

- ▶ Engagement with funding partners, donors, etc.
- ▶ Selection of grantees, beneficiaries, etc.
- ▶ Disbursements/payments
- ▶ Examples of contract provisions covering AML/CFT
- ▶ Etc.

REQUIRED DOCUMENTS

- ▶ **Financial Mismanagement Framework**
 - ▶ Investigation procedures
 - ▶ Ethics and/or Disciplinary code, Code of Conduct within and/or in addition to HR rules
 - ▶ Whistleblower protection
- ▶ **KYC/Customer Identification**
 - ▶ Unified procedure (integrated)
 - ▶ Client identification & verification
- ▶ **Screening Procedures**
 - ▶ System description
 - ▶ UN or other international/national organizations' sanctions list sources
- ▶ **Screening System Evidence**
 - ▶ Screenshots demonstrating application of the screening tool
 - ▶ Evidence of the screening having been done systematically
- ▶ **KYC Implementation Evidence**
 - ▶ Sample KYC forms (sanitized)
 - ▶ PEP verification if covered by your AML/CFT policy

REQUIRED DOCUMENTS

- ▶ **Training Documentation**
 - ▶ Training curriculum
 - ▶ Attendance records
- ▶ **Audit & Oversight Evidence**
 - ▶ Internal audit reports
 - ▶ External audit reports
 - ▶ Compliance monitoring

Panel Assessment: COMMITMENT Pillar

What we look for

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▶ **Leadership Declaration**

- ▶ Board resolution or policy approving AML/CFT standards
- ▶ Signed policy by highest authority (CEO/Board Chair)
- ▶ Evidence policy cascaded to all levels

▶ **Organizational Integration**

- ▶ AML/CFT integrated into all relevant business units
- ▶ Procurement policies reference AML/CFT screening
- ▶ Code of Conduct, Ethics and/or Disciplinary code references AML/CFT violations

▶ **Resource Allocation**

- ▶ Budget allocated for systems and training
- ▶ Dedicated compliance staff
- ▶ Investment in screening technology

Panel Assessment: COMMITMENT Pillar

▶ **What may weaken COMMITMENT**

- ▶ Policy exists but not promoted
- ▶ Treated as "checkbox" not priority
- ▶ Lack of board oversight
- ▶ Insufficient resourcing

▶ **Examples of possible Panel's Questions**

- ▶ How does your board monitor AML/CFT compliance?
- ▶ What happens when violations are identified?
- ▶ What training does staff receive?
- ▶ Do you have cases in the last 3 to 5 years and which follow up was given?
- ▶ Is there in the country a specific authority dealing with AML-CFT?
- ▶ In the case of financial institutions, which are the obligations you have in terms of reporting to national authorities?

Panel Assessment: CAPACITY Pillar

What we look for

▶ **Systems & Technology**

- ▶ Automated or systematic screening (not ad-hoc)
- ▶ System regularly updated with latest sanctions lists
- ▶ Audit trail showing when screening performed
- ▶ Integration with payment/disbursement systems

▶ **Human Resources & Expertise**

- ▶ Designated compliance officer or team
- ▶ Appropriate training/qualifications in AML/CFT
- ▶ Clear reporting lines (to senior management/board)

▶ **Procedures & Integration**

- ▶ Written procedures for all AML/CFT processes, included in key procedures such as procurement, grants, revenues and other donor funding's collection, etc.
- ▶ Integrated KYC and AML/CFT (not duplicated)
- ▶ Clear escalation protocols
- ▶ Record-keeping systems

Panel Assessment: CAPACITY Pillar

▶ **What may weaken CAPACITY**

- ▶ Screening done manually using spreadsheets
- ▶ Delayed sanctions list updates
- ▶ No documented procedures
- ▶ Staff untrained on AML/CFT
- ▶ Systems not integrated with payments

▶ **Examples of possible Panel's Questions**

- ▶ How often are sanctions lists updated?
- ▶ Can you show us your screening system?
- ▶ Do you have contracts in place to access specific information?
- ▶ What is your AML/CFT staffing structure?

Panel Assessment: COMPLIANCE

What we look for

- ▶ **Operational Implementation of Policies**
 - ▶ Policies actively followed
 - ▶ Board/management oversight of implementation
 - ▶ Regular monitoring of policy adherence
 - ▶ Documented procedures actually used in operations
- ▶ **Actual “sanitized” KYC files**
 - ▶ Identity verification completed
 - ▶ Beneficial ownership information
 - ▶ PEP screening performed
 - ▶ Risk assessment documented
- ▶ **Transaction samples**
 - ▶ Screening performed before payment
 - ▶ Results documented
 - ▶ No sanctions matches

Panel Assessment: COMPLIANCE

What we look for

- ▶ **Monitoring Evidence**
 - ▶ Monthly compliance reports
 - ▶ Monitoring dashboard/KPI tracking
 - ▶ Variance analysis
- ▶ **Operational Effectiveness**
 - ▶ All counterparties screened BEFORE funds transfer/ (in certain cases) received
 - ▶ Systematic approach (not selective)
 - ▶ Regular sanctions list updates (regularity to be assessed)
 - ▶ Screening covers all parties (suppliers, vendors, implementing entities, revenues of different nature)
 - ▶ Hit/match investigation process documented

Panel Assessment: COMPLIANCE

What we look for

▶ Risk Identification & Assessment

- ▶ Institutional AML/CFT risk assessment completed [annually]
- ▶ Risk factors identified by entity/geography/transaction type
- ▶ Risk scoring or categorization documented
- ▶ Risk assessment considered in policy design

▶ Risk Mitigation Procedures

- ▶ Controls proportionate to identified risks
- ▶ Enhanced Due Diligence (EDD) for high-risk scenarios
- ▶ Simplified Due Diligence (SDD) for low-risk (per FATF 2025)
- ▶ Decision-making process documented
- ▶ Escalation procedures for non-compliant scenarios

▶ Handling Non-Compliance Events

- ▶ Investigation procedures when violations identified
- ▶ Enforcement and corrective actions implementation
- ▶ Root cause analysis and prevention measures to avoid recurrence

Panel Assessment: COMPLIANCE

▶ **What may weaken COMPLIANCE**

- ▶ No institutional risk assessment
- ▶ One-size-fits-all approach
- ▶ Violations ignored
- ▶ No enforcement of policies
- ▶ Repeat violations
- ▶ Tick the box
- ▶ ...

▶ **Examples of possible Panel's Questions**

- ▶ When do you consider updating your policy/procedure?
- ▶ Did you have any external audit by national authorities assessing compliance with national AML-CFT rules?
- ▶ ...

DO's

▶ **Be Responsive**

- ▶ Answer thoroughly; provide specifics; meet deadlines

▶ **Be Evidence-Based**

- ▶ Provide context
- ▶ Provide actual documents
- ▶ Reference document numbers
- ▶ Include translations

▶ **Be Realistic**

- ▶ Share drafts if missing policies
- ▶ Work transparently with panel
- ▶ Use technical assistance programs

▶ **Be Organized**

- ▶ Create document index
- ▶ Use consistent file naming
- ▶ Include checklist

DONT's

- ▶ **Don't be Defensive, support the Panel**
 - ▶ Panel feedback strengthens accreditation
- ▶ **Don't be Vague**
 - ▶ Be specific about what you do
- ▶ **Don't Delay**
 - ▶ Late submissions affect timeline
- ▶ **Don't Assume Panel Knows**
 - ▶ Explain your context

In case of doubts you can always contact the Adaptation Fund Secretariat, which will submit your queries to the Panel