



AFS Singapore

# “Money Laundering”

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## AML Topic: Combating Money Laundering, The Frontline Soldier – Compliance Officer: Are You Trained?

Compliance Officers, are you trained?

Participating member countries around the world attempting to implement Financial Action Task Force (“FATF”) Recommendation 22, a preventive measure for Designated Non-Financial Business and Professionals (“DNFBPs”) would require having a Compliance Officer for each entity, company or organisation to perform Customer Due Diligence (“CDD”) compliance task.



While guidance rules have been established and are there to follow, Compliance Officers being the frontline soldiers need to be trained to understand what is money laundering before the start of the CDD compliance task. Having some knowledge of society is essential and an advantage to the Compliance Officer when carrying out CDD compliance.

Merely going online using AML risk solution CDD software to check the customer identity or the Know Your Client (“KYC”) theory is insufficient to warrant the discharge of the duty of the Compliance Officer.

Likewise, similar issues arise in smaller DNFBPs such as the company service providers, accountants and lawyers practising as a sole proprietor or small partnership. Usually, the sole proprietor or partner is the Compliance Officer. In this situation, the risk is much higher, and the quality of risk assessment is questionable. Suggestions are:

**1. AML/CFT:** Today, it is not just Anti-Money Laundering (“AML”). There is another subject known as Counter Financial Terrorism (“CFT”). Together, it is known as the Anti-Money Laundering and Countering the Financing of Terrorism (“AML/CFT”).

**2. UNDERSTANDING THE BASIC:** To be a Compliance Officer, you probably need to have some knowledge of what is happening to society or the least the country you currently reside. Compliance Officer needs to know what causes money laundering and who is the Politically Exposed Persons (“PEPs”) and players in your home country. Mover, Compliance

Officer, must know the AML/CFT rules and regulations and how to apply the principle for CDD measures.



### 3. CUSTOMER DUE DILIGENCE MEASURES:

The Compliance Officer is the main officer-in-charge for CDD measures. Skill is required to detect a suspicious transaction from the customer identity as well as from the business transaction. Compliance Officer needs to know the concept of the Risk-Based Approach (“RBA”) and the source for verification of identity and sanctions to comply AML/CFT compliance requirements. For example:

(a) In individual countries, people can change their names, and the passport will not reflect the change. There are also situations parliament approved the non-disclosure of absolute conviction and the committed crime and the police report will not show the conviction. In countries such as China, Japan, Thailand and Taiwan, the authorities maintain a Family Household Registration Log Book. Request for a copy which may be helpful.

(b) The rules for AML/CFT require the Compliance Officer to identify the real beneficial owner of the entity or company as well as for the business transaction. The threshold is 25% or more irrespective of the shareholdings. Compliance Officer requires to perform the threshold test.

(c) There are couples of friendly AML risk solution CDD identity software in the market. Avoid using that software developed by IT specialist. Compliance Officer would require a software developed by a

market watchdog with international correspondent promptly reporting what is happening in the world especially PEPs. Compliance Officer must visit the government websites to verify sanctions for the customer as well as for the business transactions.

### 4. DUE DILIGENCE – ONGOING

**MONITORING:** The Compliance Officer must review the records of the customer, management as well as the business of the customer regularly. How regular will depends on the AML/CFT Policies of the Financial Institutions and DNFBPs. Compliance Officer must understand that many things can happen from a simple change of name, change of senior officers or change in the paid-up of the customer may trigger a sensitive notion calling for a Suspicious Transaction(“ST”) and the Compliance Officer may have to issue a “red flag”.

### 5. SUSPICIOUS TRANSACTION:

The Compliance Officer must understand what is meant by an ST and when to report an ST failing which the Compliance Officer or the DNFBP will commit a breach for not reporting an ST. The amount or value of the transaction is not the main criteria for reporting an ST, nor there is a time limitation. Compliance Officer must promptly report as and when Compliance Officer comes to know of the ST.

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