

Risk Assessment Guideline on AML/CFT for Financial Dealers (FDLs), CTSPs and VASP

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SUPERVISION DEPARTMENT

Introduction

As a Financial Dealer, CTSP and a VASP, you play a critical role in preventing money laundering (ML) and terrorist financing (TF) in Vanuatu. This guideline outlines the key requirements and best practices for implementing an effective AML/CFT program.

Key Requirements

1. Risk Assessment:

Each Licensed entity must conduct its own risk assessment of its operations to identify potential ML/TF risks associated with its business activities.

Each entity must identify its own inherent risks based on the following elements:

- Products,
- Services,
- delivery channels;
- Geographic locations of clients
- Clients and business relationships;
- Other relevant factors.

2. Risk-Based Approach Cycle

The following cycle represents the six steps that you must take to achieve your firm's risk-based approach:

STEP 1. Business base risk Assessment:

Must assess your ML/TF risks relating to your Products, Services & Delivery Channels, Geographic Location, and Relationship Base Risk Assessment.

STEP 2.: Set your Risk Tolerance Levels:

As a Business, you must establish the level of ML/TF risks you are willing to accept.

STEP 3: Create Risk Reduction measures and Key Controls:

As part of your compliance program, you must develop and document your ML/TF risk mitigation strategies for high -risk situations including your high-risk clients.

STEP 4: Evaluate your Residual Risk: -

Residual Risk is the remaining level of risk after taking into consideration mitigation measures and controls. Your Residual Risk must be compared to your risk tolerance level. Is your residual risk within your risk tolerance level or beyond your tolerance level?

STEP 5: Implementation of your Risk - Based Approach:

Must apply risk - reduction strategies and key controls to high-risk situations for ML/TF. If your residual risk is higher than your risk tolerance level, you must apply mitigating factors or risk control measures to ensure that your total risks fall within your risk tolerance level.

STEP 6: Review your Risk- Based Approach:

Must continually review and test your risk-based assessment for effectiveness against ML /TF.

3. Customer Due Diligence (CDD):

Must implement CDD measures to identify and verify the identity of your customers, including beneficial owners.

4. Transaction Monitoring:

Must monitor transactions for suspicious activity, including those that may indicate ML/TF.

5. Reporting:

Must report suspicious transactions to the Financial Intelligence Unit (FIU) and comply with other reporting requirements.

6. Training:

Must provide training to your employees on AML/CFT risks and prevention measures.

7. Compliance Program:

Must establish and maintain a compliance program that includes policies, procedures, and controls to prevent ML/TF

8. Best Practices:

a) Implement a risk-based approach:

Must apply a risk-based approach to AML/CFT prevention, taking into account the level of risk associated with each customer or transaction.

b) Use technology:

Must leverage technology to enhance AML/CFT detection and prevention, such as using artificial intelligence and machine learning algorithms.

c) Collaborate with Regulators and other institutions:

Must share information and best practices with regulators and other institutions and law enforcement agencies to combat ML/TF.


9: AML/CTF Checklist:

The attached checklist will assist you to conduct your own self assessment of your ML/TF risk and controls and help you to identify any gaps in your control mechanism. The list of questions is not exclusive but a good start and you can develop more questions as you conduct your assessment.

Please contact the following person should you have any questions:

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Branan Karae
Commissioner

