



# Measures for Specific Customers and Activities

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# Measures for Specific Customers and Activities

- ✓ These Recommendations focus on specific types of customers, activities and products which may present higher levels of risk.
  1. Politically Exposed Persons (R.12)
  2. Correspondent Banking (R.13)
  3. Money and Value Transfer Services (R.14)
  4. New Technologies (R.15)
  5. Wire Transfers (R.16)
- ✓ The measures are applicable to Financial Institutions (FIs) and Designated Non-Financial Businesses and Professions (DNFBPs) and Virtual Asset Service Providers (VASPs) where applicable.
  - The measures are not relevant in relation to DNFBPs for Rs. 13, 14 and 16



# Politically Exposed Persons (PEPs) (R.12)

- ✓ PEPs are more vulnerable to the risk of corruption which necessitates enhanced scrutiny.
- ✓ There are four (4) measures which FIs and DNFBPs should take regarding *foreign PEPs*:
  1. Put risk management systems in place to determine whether a customer or the beneficial owner is a PEP;
  2. Obtain approval from senior management before establishing, or in the case of existing customers, continuing such business relationships;
  3. Take reasonable measures to establish the source of wealth and source of funds of customers and beneficial owners identified as PEPs;
  4. Conducting enhanced ongoing monitoring on the relationship.



# Politically Exposed Persons (PEPs) (R.12)

For *domestic PEPs* or *persons who are or have been entrusted with a prominent function by an international organisation*, FIs and DNFBPs should be required to:

1. Take reasonable measures to determine whether the customer or beneficial owner is a person as above;
  2. When a higher risk business relationship exists with such a person, adopt steps 2 to 4 (Slide 3) applied to foreign PEPs.
- ✓ FIs and DNFBPs should be required to apply all measures under R. 12 to the family members and close associates of PEPs.
- These persons are also more vulnerable to the risk of corruption.



# Politically Exposed Persons (PEPs) (R.12)

- ✓ There are specific measures added for PEPs concerning *life insurance policies*:
  1. Reasonable measures should be taken to determine whether the beneficiaries or the beneficial owner of the beneficiary are PEPs.
  2. In higher risk cases, FIs and DNFBPs should apply these measures:
    - i. Inform senior management before the policy is paid out
    - ii. Conduct enhanced scrutiny of the business relationship
    - iii. Consider making a suspicious transaction report (STR)



# Politically Exposed Persons (PEPs) (R.12)

- ✓ ***Virtual Asset Service Providers (VASPs)*** should be required to:
  1. Have appropriate risk management systems in place to determine whether customers or beneficial owners are foreign PEPs or related or connected to a foreign PEP;
  2. In such cases, VASPs should take additional measures to determine if and when they are doing business with a foreign PEP or persons related or connected to a foreign PEP, including identifying the source of funds when relevant.

Source: FATF Guidance for a Risk Based Approach: Virtual Assets and Virtual Asset Service Providers (2019)



# Correspondent Banking (R.13)

- ✓ FIs, in relation to *cross-border correspondent banking* should be required to:
  - i. Gather sufficient information about a respondent institution to fully understand the nature of their business and determine their reputation and quality of supervision;
  - ii. Assess the respondent institution's AML/CFT controls;
  - iii. Obtain approval from senior management before establishing new correspondent relationships;
  - iv. In relation to “payable-through-accounts”, be satisfied that the correspondent institution conducted CDD on customers with direct access to accounts and it is able to provide information upon request to the correspondent bank.
- ✓ Similar relationships include securities transactions or funds transfers, whether for the cross border FI as principal or for its customers.



# Correspondent Banking (R.13)

- ✓ In the VASP sector, other business relationships or covered VA activities may have characteristics similar to cross-border correspondent banking relationships.
- ✓ FIs should apply all the criteria of Recommendation 13 to such relationships and activities.
- ✓ ***Other similar relationships*** in relation to Correspondent Banking include:
  - i. Relationships established for securities transactions or funds transfers;
  - ii. Money or value transfer services (MVTs) when MVTs providers act as intermediaries for other MVTs providers identifying the beneficial owner;
  - iii. When an MVTs provider accesses banking or similar services through the account of another MVTs customer of the bank.

*Source: FATF Guidance for Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers, 2019*



# Money or Value Transfer Services (MVTS) (R.14)

Specific measures for **MVTS**:

- ✓ Licensing/ Registration of MVTS providers (natural and legal persons)
  - Action should be taken to identify natural or legal persons without licence/registration and apply proportionate and dissuasive action.
- ✓ Monitoring providers for AML/CFT compliance.
- ✓ Agents for MVTS providers should be licensed or registered by a competent authority (CA) or a current list of its agents must be maintained that is accessible to the CA.
- ✓ MVTS agents should be included in providers' AML/CFT programmes and monitored for compliance.
- ✓ The registration and licensing requirements of R.14 apply to all VASPs, even those engaging in MVTS activities (*FATF Guidance on VAs and VASPs, 2019*)



# New Technologies (R.15)

- ✓ FIs and DNFBPs should identify, assess and understand the money laundering (ML) and terrorist financing (TF) in the development of:
  - i. New products;
  - ii. New business practices;
  - iii. New delivery mechanisms;
  - iv. New technologies for both new and pre-existing products.
- ✓ Risk assessments should be done before launching or using such products, practices and technologies.
- ✓ Appropriate risk management and mitigation measures should be taken.



# New Technologies (R.15)

In relation to **Virtual Assets (VAs) and VASPs**, countries should be required to take the following measures:

- i. Identify, assess and understand the ML and TF risks from VA activities and the activities or operations of VASPs.
  - ii. Apply a risk-based approach to ensure the measures to prevent or mitigate ML/TF are commensurate with the identified risks
  - iii. Require VASPs to identify, assess, and take action to mitigate their ML/TF risks.
- ✓ If a VASP cannot manage and mitigate the risks posed by activities that include anonymity-enhancing technologies or mechanisms, then the VASP should not be permitted to engage in such activities (*FATF Guidance on VASPs and VAs, 2019*).

**Source: INR.15, FATF Recommendations, 2019**



# Wire Transfers (R.16)

- ✓ **Ordering financial institutions** should be required to ensure that all cross-border wire transfers of **USD/EURO 1,000 or more** must be accompanied by:
- i. The originator's name;
  - ii. The originator's account number (or unique transaction reference number, in the absence of an account); and
  - iii. The originator's address, or national ID number, or customer ID number, or date and place of birth.
  - iv. The beneficiary's name; and
  - v. The beneficiary's account number (or unique transaction reference number, in the absence of an account).

Countries that apply a **de minimis threshold** should require that FIs adopt the same measures for all cross-border wire transfers below the applicable de minimis threshold (no higher than USD/EURO 1,000).



# Wire Transfers (R.16)

- ✓ In relation to cross-border wire transfers, *intermediary financial institutions* should be required to:
  - i. Retain originator / beneficiary information.
  - ii. Take reasonable measures consistent with straight-through processing to identify cross-border wire transactions without originator/beneficiary information.
  - iii. Have effective risk-based measures to address wire transfers lacking originator/beneficiary information.



# Wire Transfers (R.16)

- ✓ In relation to cross-border wire transfers, *beneficial financial institutions* should be required to:
  - i. Take reasonable measures to monitor and identify transactions without originator information.
  - ii. Verify the identity of the beneficiary if it has not been previously verified and maintain the information for cross-border transfers of USD/EURO 1,000.
  - iii. Have effective risk-based measures to address wire transfers lacking originator/beneficiary information.
- ✓ Ordering, intermediary and beneficiary FIs must implement requirements related to targeted *financial sanctions related to TF*.



## Wire Transfers (R.16)

- ✓ ***MVTS providers*** should be required to comply with all measures in R.16 in the countries which they operate, directly or indirectly.
- ✓ MVTS that control both the ordering and the beneficiary side of a wire transfer should:
  - i. Consider all the information on the ordering and beneficiary sides to determine whether an STR should be filed; and
  - ii. File an STR in any country affected by the suspicious wire transfer.



# Wire Transfers (R.16)

The requirements of R. 16 should apply to **VASPs** when their transactions, whether in fiat currency or VAs, involves:

- i. A traditional wire transfer;
  - ii. A VA transfer or other related message operation between a VASP and another obliged entity.
    - For example, between two VASPs or between a VASP and another obliged entity, such as a bank or other FI.
    - In such cases, countries should treat all VA transfers as cross-border wire transfers, in accordance with INR. 16.
- ✓ **Ordering** and **beneficiary VASPs** should obtain, hold, and transmit (immediately and securely) required originator and beneficiary information involved in all VA transfers.

*Source: FATF Guidance for Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers, 2019*