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# OVERVIEW OF THE QFC AML REGIME

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# AGENDA

- Objectives of the AML industry seminars
- Qatar's commitment to AML
- An overview of the AML regime that applies in the QFC
- Key obligations under the AML framework for QFC Firms and considerations/regulatory expectations
- Key AML / CFT tools



# Objectives

- **AML Industry Seminars:**
  - have open and transparent communication with firms operating in the QFC;
  - promote practical discussion on the implementation of AML requirements; and
  - create a platform for other speakers (such as the Qatar Financial Information Unit) to liaise with QFC firms.
- **This seminar – Overview of the QFC AML Regime**
  - Assist firms in understanding their obligations and navigating the AML regulations and rules
  - Provide useful insight into our expectations when implemented your obligations.



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# QATAR'S COMMITMENT TO AML

# Qatar's commitment to AML

- 06 October 2008

*"The IMF report on AML/CFT has helped to reinforce Qatar's ongoing commitment to fighting money laundering and combating the financing of terrorism in order to safeguard Qatar's growing reputation as a world class financial centre."*

His Excellency Sheikh Fahad Bin Faisal Al Thani, Deputy Governor, Chairman National Anti Money Laundering and Terrorist Financing Committee



## Qatar's commitment to AML

- Drafting a new AML/CFT law to extend the scope of the ML and TF offences and to ensure full compliance with the FATF 40+9 Recommendations, relevant international conventions and UNSC resolutions.
- Implementing AML/CFT measures of each of the supervisory authorities:
  - QFCRA amended rulebook in April 2008
  - Qatar Central bank published revised instructions in March 2008
- Taking steps to acceded to the Palermo Convention and International Convention for the Suppression of Financing of Terrorism.

## Qatar's commitment to AML

- Creating a Central Committee on training to implement a comprehensive AML/CFT training programme for all financial institutions and authorities with AML/CFT responsibility.
- Establishing measures to ensure that law enforcement agencies, financial institutions, DNFBPs and other competent authorities involved in combating ML/TF prepare and maintain qualitative and comprehensive statistics related to combating ML/TF.
- QFCRA specific initiatives:
  - AML industry training programmes
  - Additional Practice Notes to provide guidance on specific topics/sectors
  - Releasing updated self assessment questionnaire



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# AN OVERVIEW OF THE AML REGIME THAT APPLIES IN THE QFC

# An overview of the AML regime that applies in the QFC.



Law No. 28 of 2002 on Anti Money Laundering

Law No. 21 of 2003 (amending some provisions of Law No. 28 of 2002)

Law No (3) of 2004 on combating terrorism

Qatar Penal Code

QFC AML Regulations of 2005

QFCRA AML Rulebook – version 3, October 2008

# Qatar State Laws

- **Law No. 28 of 2002 on Anti Money Laundering Law:**
  - defines the crime of money laundering
  - duties of the Financial Institutions and the Competent Entities
  - tipping off prohibition
  - suspicious transaction reporting
  - establishes National Anti Money Laundering Committee (NAMLC)
  - Penalties
    - Money laundering/assisting: imprisonment up to 7 years, fine upto QAR50,000 (and value of the funds subject of the crime)
    - Failure to report: imprisonment up to 3 years, fine upto QAR10,000
    - Tipping off: imprisonment upto 1 year and fined upto QAR3,000
- **Law No. 21 of 2003, amending some provisions of Law No. 28**
  - Adds “crimes considered by law as terrorist crimes” to list of predicate offences

# Qatar State Laws

- **Law No. 3 of 2004 on combating terrorism:**
  - Defines terrorist crimes (if committed for a terrorist purpose)
  - Penalties
  - Confiscation
  - Prosecution
- **Qatar Penal Code – Law No. 11 of 2004**
  - Criminal law in Qatar
- **Code Of Criminal Procedures – Law No. 23 of 2004**
- **Administrative Order No. 1 of 2004 establishing the Financial Information Unit**

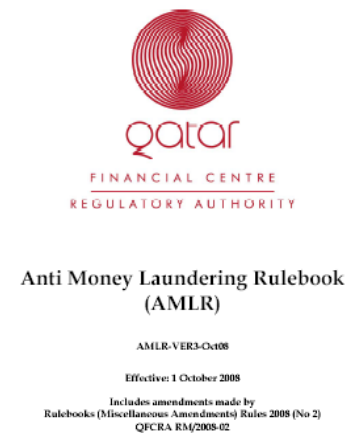
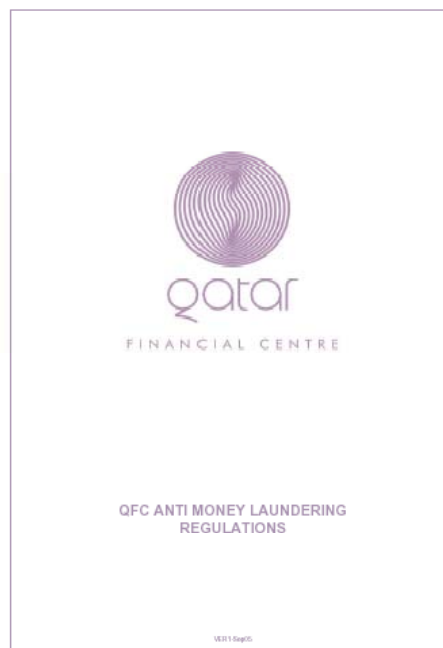
# QFCRA Legislation

- **QFC AML Regulations**

- Defines Money Laundering (wider than Qatar law definition)
- Outlines key obligations to prevent ML/TF

- **QFCRA AML Rulebook**

- Extending and clarifying the provisions of the QFC AML Regulations





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# **KEY OBLIGATIONS UNDER THE AML/CFT FRAMEWORK FOR QFC FIRMS - CONSIDERATIONS AND EXPECTATIONS**

# AML/CFT obligations in the QFC

- Policies, procedures, systems and controls
- Senior management, corporate governance
- AML risk assessment
- MLRO
- Customer identification
- Outsourcing
- Monitoring
- Suspicious transaction reporting
- Management reporting
- Use of government, international findings
- Annual independent review
- Specific AML risks (PEPs, correspondent banking, fund transfers)
- Training
- Other – KYE, Fraud, Conflicts of interest and Gifts policy
- Record keeping

# AML/CFT obligations in the QFC

## Policies, procedures, systems and controls

### Requirements

- Effective money laundering policies, procedures, systems and controls [Article A6(1)]



### Considerations

- How are PPSC documented?
  - Group Policy or local policy
  - If group, identified local differences
  - Supported and embedded into operational procedures (client take-on, monitoring etc)
- Who drafts PPSC?
- How often PPSC reviewed?
- Who approves PPSC?
- Staff access and understanding of PPSC.

# AML/CFT obligations in the QFC

## Senior management / corporate governance

### Requirements

- Affairs are managed effectively by senior management [PRIN 2.1.3]



### Considerations

- Demonstrate commitment to AML/CFT
- Policy statement
- Approval of policies.
- Receive AML training
- Management reporting
- Allocation of appropriate resources.

# AML/CFT obligations in the QFC

## AML risk assessment

### Requirements

- Address ML risks in products, services, customers [Article 15(1)]
- Enhanced due diligence for higher risks [Article 15(2), AMLR A2.1G]

### Considerations

- Conducted and documented an AML/CFT risk assessment considering vulnerabilities in:
  - Products and services
  - Customers
  - Geographic/jurisdictional scope
- Are customers allocated an AML risk score?
- Enhanced due diligence procedures.



# AML/CFT obligations in the QFC

## MLRO and AML resources

### Requirements

- MLRO – senior, independent [Article 8(4)]
- MLRO competency [ AMLR 3.1.1(C), INDI 5.1.3]
- Policy statement – MLRO duties and obligations [AMLR 3.3.3, Article 8(6)]
- Deputy MLRO [Article 8(2)]

### Considerations

- Reporting lines / access to senior management.
- MLRO's experience, qualifications (continuing) and knowledge of QFC AML regime.
- Residency, sufficient time and resources to QFC office.
- Job description.
- Identified and appointed (& documented) deputy MLRO.
- Access to other AML resources

# AML/CFT obligations in the QFC

## Customer identification



### Requirements

- Establish and verify identity [Article 9, AMLR3.8]
- Beneficial owner [Article 9(5)]
- Statement from customer – whether acting on own behalf [Article 9(4), AMLR 3.8.1]
- Nature and level of business, origin of funds, source of wealth [AMLR A1.1.1]
- Updating info. [Article 9(10) AMLR3.8.2-3]
- Exceptions [AMLR 3.9.1]

### Considerations

- KYC/client take-on procedures.
- Verify all KYC (name, address, nature/level business, purpose a/c, origin of funds, sources of wealth)
- What information and documentation is specified as required/ acceptable?
- How often and under what circumstances will customer info. be reviewed?

# AML/CFT obligations in the QFC

## Outsourcing

### Requirements

- Reliance on others to verify customers [Article 11, AMLR 3.11.1-3]
  - Qualified professional
  - Group introductions

### Considerations

- Definition of qualified professional
- Entered into outsourcing/co-operation agreement.
- Group introduction certificate.
- Obtain information on elements of the CDD carried out.
- Retain responsibilities
- CTRL Chapter 5

# AML/CFT obligations in the QFC

## Monitoring

### Requirements

- Monitor and detect suspicious transactions [Article 15(6) A2.2]
- Examine transactions that are complex, unusually large, unusual patterns, no apparent economic / lawful purpose.
- Examine transactions in countries, jurisdictions identified as deficient [AMLR 3.17]

### Considerations

- Appropriate form and method of monitoring (manual, automated, in-house, vendor)
- Frequency of monitoring.
- Filtering, criteria , exception reports.
- Analysis and investigation.
- Staff knowledge/ ability to identify suspicious transactions.

# AML/CFT obligations in the QFC

## Suspicious transaction reporting

### Requirements

- Employees to report suspicions [Article 13(1)-(2), AMLR 3.13]
- MLRO to investigate and make determination [Article 13(7)]
- External report to Qatar FIU (notification to QFCRA) [Article 13 (8)]
- Failing CDD [AMLR 3.13.4]
- Dealing with suspicious transaction [Article 13(12), AMLR 3.13.3]

### Considerations

- Documented procedures requiring employees to report
- MLRO investigation procedures and techniques.
- External reports to FIU.
- Documented what to do once STR made? (if customer wants to transact)

# AML/CFT obligations in the QFC

## Management reporting

### Requirements

- MLRO report [Article 8(7)]
- Senior management assessment [Article 8(8)]
- Copy to QFCRA [Article 8(10)]



### Considerations

- Frequency - at least annually.
- To the firm's senior management
- Senior management assessment of report – documented.
- Copy of report and senior management assessment to QFCRA “promptly”.
- Practice Note gives guidance on format/content

# AML/CFT obligations in the QFC

## Use of Government/International Findings

### Requirements

- Obtaining and using findings [Article 14, AMLR 3.15]
- Consideration of country or jurisdiction if found materially deficient.

### Considerations

- Procedures, systems for proactively obtaining findings.
- Procedure for using findings – performing checks against customer databases and records and monitoring transactions.
- Maintaining list of countries or jurisdictions found materially deficient/source of TF.

# AML/CFT obligations in the QFC

## Independent Review

### Requirements

- Annual review of effectiveness of AML framework [Article 6(4)]
- Undertaken by:
  - Internal audit or compliance officer;
  - Competent firm of independent auditors or compliance professionals [AMLR 3.3.5]
- Covers: assessment of AML policies, procedures, systems and controls, sample KYC, STRs, management reporting [AMLR 3.3.4 and 3.3.6]

### Considerations

- Performed at least every 12 months.
- Independence of review (should not be the MLRO himself).
- Documented scope and methodology of review.
- Findings, recommendations and follow up of actions.
- Reports to management.

# AML/CFT obligations in the QFC

## Specific AML risks - PEPs

### Requirements

- Identification of PEPs [Article 15(4)]
- Monitoring and due diligence of PEPs [Article 15(5), AMLR A2.1.1]
  - Establish origin of funds / source of wealth/income.
  - Senior management approval and monitoring.
  - Develop expected profile.
  - Regular oversight of relationship by senior management.

### Considerations

- Accurate definition of PEP.
- Procedures for identifying PEPs (at outset and subsequently).
- Embed into client take on / transactions (additional info.) and monitoring.
- Monitoring of transactions against expected profile.

# AML/CFT obligations in the QFC

## Specific AML risks – Correspondent banking

### Requirements

- Establish and verify correspondent banking clients [Article 12, AMLR 3.12]
- Arrangements, due diligence for correspondent banking relationships:
  - Due diligence on account
  - Customer due diligence procedures
  - Monitoring

### Considerations

- An assessment of the proposed correspondent banking client incl.:
  - Banks reputation, financial position;
  - Review of bank's AML PPMs; and jurisdiction/AML supervision to which bank is subject
  - Senior management approval.
- Enter into agreement
- Review transactions going through the accounts (expected numbers, types)

# AML/CFT obligations in the QFC

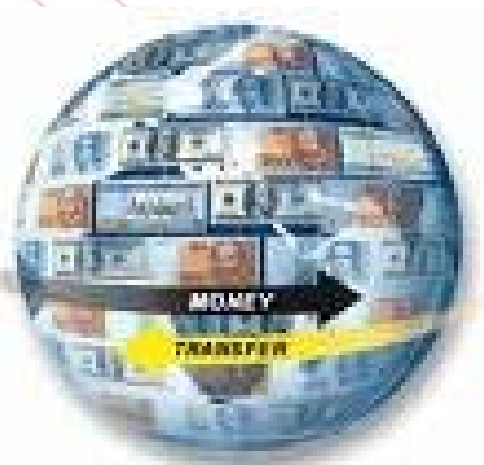
## Specific AML risks – Fund transfers

### Requirements

- Payment information [Article 16]
- Identify transactions that don't contain complete originator information [AMLR3.17.3]

### Considerations

- Process for ensuring payment information contains required information
- Process for identifying transfers that don't contain adequate originator information



# AML/CFT obligations in the QFC

## Training and staff awareness

### Requirements

- Provide regular information and training to employees [Article 17]
- Sufficient frequency.
- All new Employees, remain available to all Employees.
- Records

### Considerations

- Documented training programme for staff
- Identified training materials and format.
- Content tailored to the firm and its business
- AML training for new staff, regular refresher training.
- Training log detailing all staff and AML training last received and when next due.
- Assess knowledge.

# AML/CFT obligations in the QFC

## Other – Fraud prevention

### Requirements

- Compliance policies, procedures to reduce financial crime (includes fraud) [CTRL 4.3.1]
- Know Your Employee - Systems and controls to satisfy itself of anyone who acts for it [CTRL 4.6.1-2]

### Considerations

- Fraud prevention and market abuse policy covering identification, prevention, monitoring, whistle blowing.
- Employee screening/ background checks.
- Conflicts of interest and gifts policy.

# AML/CFT obligations in the QFC

## Record keeping

### Requirements

- Maintain records for six years:
  - Verification [Article 10(1)]
  - Transaction [Article 10(3)]
  - STRs [Article 13(8)-(9)]
  - Training [Article 17(5)]
- If records maintained outside Qatar, consider secrecy/data protection [AMLR A1.2.10]



### Considerations

- Policy for retention of documents.
- Format of retention (hard copy, electronic)
- Location of records - if outside Qatar, any secrecy or data protection that may restrict access.
- Capable of reproduction on paper within 3 days.



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# AML/CFT TOOLS

# AML/CFT Tools



- **Practice Notes**
  - 2007-1 MLRO Annual Report
  - 2007-2 Correspondent Banking
- **AML/CFT Self Assessment Questionnaire**
- **Future initiatives**
  - AML industry seminars
  - Practice Notes / Guidance
  - Revised AML/CFT self assessment questionnaire

# AML/CFT Tools

- **Other international standards/guidance**
  - Joint Money Laundering Steering Group
  - Basel committee on banking supervision CDD for banks
  - FATF Guides and Typologies



# Conclusion

- **Qatar commitment to AML/CFT**
- **Overview of the relevant Qatar State Laws**
- **Overview of QFC AML obligations**
  - **Identified requirements**
  - **Points to consider / regulatory expectations**
- **Seminars to follow**
  - **June – KYC, CDD, EDD**
  - **October – designated non financial businesses and professions – regulatory expectations**
  - **December – suspicious transaction reporting and procedures**



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# QUESTIONS