

AML/CFT FRAMEWORK



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February 2007

- QFCRA regulatory objective
- Definition of financial crime
- Supervisory alignment to the regulatory objective
- Anti Money laundering/CFT
 - Positioning Qatar
 - Domestic AML/CFT framework
- Regulatory approach - meeting the regulatory objective



Regulatory objective

- QFCRA has eight regulatory objectives as set out in Article 12 of the QFC Financial Services Regulations

Objective H

“Minimising the extent to which the business carried on by a person carrying on a Regulated Activity can be used for the purposes of or in connection with financial crime”

“In considering this objective the Regulatory Authority shall have regard to the desirability of Authorised Firms having appropriate systems controls and procedures to detect and prevent the incidence of financial crime”



Regulatory objective

Designated Non Financial Businesses and Professions:

Whilst the regulatory objective currently specifies only “Regulated Activities”, the QFC Anti Money Laundering Regulations (QFC AML Regulations) apply to all “Relevant Persons” the definition of which includes those firms who are carrying out certain specified activities;

- Accountants
- Legal Firms
- Trust Companies
- Company Service Providers



Definition of financial crime

“The use of the financial system for criminal, fraudulent or dishonest purposes including insider dealing, market abuse and handling the proceeds of crime”.

- Substituent elements of financial crime
 - Money laundering/FT
 - Fraud
 - Market abuse/insider dealing



Supervision-alignment to the objective

- Financial crime is an identified risk group within the QFCRA risk assessment model which is used to risk assess all Authorised Firms.
- Authorised Firm are expected to have appropriate risk management procedures in place in respect of all the substituent elements of financial crime.
 - effective mitigation of the risks to the QFCRA regulatory objectives.
 - effective mitigation of the risks to the Authorised Firm (i.e. reputational risk, operational risk, legal risk, commercial risk, criminal risk, regulatory risk, credit risk).



AML /CFT

- Positioning Qatar
- Domestic AML/CFT framework



Positioning Qatar

- Membership of the Gulf Cooperation Council (GCC)

Established by charter in 1981. The GCC is a full member of the FATF. The QFC AML Regulations include individual member states of the GCC within the definition of the “FATF Country”.

* Bahrain * Kuwait * Oman * Qatar * Saudi * UAE

- GCC Membership of the Financial Action Task Force (FATF)



Positioning Qatar (contd.)

- Member of MENAFATF (Middle East and North Africa Financial Action Task Force)

- | | | | |
|-----------|-----------|-----------|--------------|
| * Algeria | * Kuwait | * Qatar | * UAE |
| * Bahrain | * Lebanon | * Saudi | * Yemen |
| * Egypt | * Morocco | * Syria | * Iraq |
| * Jordan | * Oman | * Tunisia | * Mauritania |



AML/CFT– domestic framework

- QFC Anti Money Laundering Regulations 2005
- QFCRA Anti Money Laundering Rulebook 2005
- State Law No. 28 of 2002 on Anti Money Laundering
- State Law No. 21 of 2003 (amending some provisions of Law No. 28 of 2002) on Anti Money Laundering
- State Law No. 11 of the 2004 Penal Code
- State Administrative Order No. 1 of 2004 - establishing the Financial Information Unit (FIU) as a function of the Qatar Central Bank



Overview of QFC AML Regulations

- The definition of money laundering under the AML Regulations

The following conduct when committed intentionally:

- Any act which constitutes an offence under Article 2 of Law No. 28 of 2002 on Anti Money Laundering (as amended by virtue of Decree Law No. 21 of 2003)
- Any act which involves criminal property and constitutes an offence under the articles of Law No. 11 of 2004 (Penal Code).
- Any act which finances the commission of an offence under the articles of Law No. 3 of 2004 (combating terrorism).



Overview of QFC AML Regulations (contd.)

- The conversion or transfer of property knowing that such property is derived from criminal conduct or from an act of participation in such conduct for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in the commission of such conduct to evade the legal consequences of his actions.
- The concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to or ownership of property, knowing that such property is derived from criminal conduct or from an act of participation on such conduct.



Overview of QFC AML Regulations (contd.)

- The provision or collection of lawful property by any means with the intention that it should be used in full or in part for terrorism.
- Any act which constitutes participation in, association with or conspiracy to commit, attempts or incitement to commit an offence as specified.
- Any act which constitutes aiding, abetting, facilitating, causing or procuring the commission of an offence as specified.



Overview of QFC AML Regulations (contd.)

Definitions

- Definition of money laundering under the QFC AML Regulations requires direct intent. Intent cannot be inferred from objective factual circumstances.
- Definition of criminal conduct under the QFC AML Regulations is defined as conduct which constitutes an offence in the State.
- The obligation on employees of a Relevant Person to make an internal STR to the MLRO is based on actual knowledge, suspicion or reasonable grounds.
- Article 2 of State Law No. 28 defines what constitutes a money laundering crime.



Overview of QFC AML Regulations (contd.)

- General AML/CFT compliance requirements
 - Establish & maintain effective AML/CFT policies, procedures and systems & controls
 - Review effectiveness on an annual basis
 - Ensure ongoing compliance
 - Ensure that AML/CFT policies, procedures and systems & controls cover any branch or subsidiary operating in another jurisdiction
- Co-operation with the regulator
 - If relevant information is received from the FIU, an overseas regulator or other agency responsible for AML/CFT, the QFCRA must be informed.



Overview of QFC AML Regulations (contd.)

- Appointment, responsibilities and duties of the MLRO
 - An MLRO must be appointed.
 - Must be sufficiently senior to act on his own authority and have direct access to senior management.
 - Must have sufficient resources to enable him to operate in an effective, objective and independent manner.
 - Must have unrestricted access to the business.
 - Must be able to deal effectively with internal and external suspicious transaction reports.
 - Must act as a central point of contact with the FIU and other relevant authorities.
 - Must make an annual report to senior management.



Overview of QFC AML Regulations (contd.)

CDD Requirements

- Establish KYC and Know your Business (KYB) to an extent commensurate with the identified risk profile of the customer.
- If the customer cannot satisfy the requirements then the relationship should be terminated.
- Retrospective due diligence should be carried out where possible/if relevant.
- Limited reliance can be placed on others to verify identity.
- Special attention should be given to correspondent banking relationships.
- Special attention should be given to Politically Exposed Persons.



Overview of QFC AML Regulations (contd.)

Government, regulatory and international findings

Arrangements must be in place to ensure the proper use of government regulatory and international findings;

- GCC
- FATF/MENAFATF
- OFAC (if relevant)
- QFCRA updates
- FIU
- Other relevant



Overview of QFC AML Regulations (contd.)

Risk assessment

- Comprehensive risk assessment of money laundering/terrorist financing risks
- AML/CFT policies, procedures and systems & controls must adequately address the identified money laundering/terrorist financing risks

E.g. Politically Exposed Persons (PEP's)

- Systems must be in place to determine whether a customer is a PEP and to effectively monitor the activities of PEP's



Overview of QFC AML Regulations (contd.)

Suspicious transactions

- Suspicious transactions and transaction monitoring
 - Requirement to establish and maintain policies, procedures and systems & controls to detect suspicious transactions.



Overview of QFC AML Regulations (contd.)

Training

Staff awareness, regular training and information to all staff to ensure they understand the AML/CFT framework.



Internal and external reporting

Appropriate arrangements must be in place to ensure that whenever any employee, acting in the ordinary course of their employment either

- * knows or suspects
- * has reasonable grounds for knowing or suspecting (objective test)

that a person is engaged in money laundering or terrorist financing, they promptly make an internal SAR/STR to the MLRO who should investigate the report thoroughly AND determine under Law no 28 if an SAR/STR should be made to the FIU.

- If the MLRO decides that an external STR/SAR should be made to the FIU, a presay of the nature of the report should be provided to the QFCRA.



Internal and external reporting (contd.)

- If the STR relates to a specific transaction, the MLRO is required to seek consent from the FIU to proceed with that transaction. Failure to do so is a criminal offence.
- Mechanics of the consent process requires clarification.



Anti financial crime initiatives

- QFCRA to more actively publicise its agenda in respect of AML/CFT.
- Encourage closer relationships with the FIU.
- Provide relevant reference material on the QFCRA website.
- Become proactive and focus on education to enable firms to understand and address the AML/CFT risks.
- Encourage/facilitate local MLRO seminars.
- Encourage local MLRO forums.
- Encourage/facilitate MLRO qualifications.
- Schedule AML theme visits to Authorised Firms.
- Publish AML/CFT guidance notes.

