هيئة تنظيم مركز قطر للمال
QATAR FINANCIAL CENTRE
REGULATORY AUTHORITY

Guidance for Financial Institutions and DNFBPs on the Management of COVID-19 Risks

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The emergence of the COVID-19 pandemic across the globe has led to new opportunities for money laundering/terrorist financing and has exposed financial services firms and DNFBPs to increased risk in this regard.

This guidance is intended to address the main vulnerabilities that have been observed around the world, and the risk-based mitigation strategies that firms should employ.

There have been increases in the incidence of the following:

- Fraud – for example, advance fee fraud or soliciting funds or account information via the impersonation of government officials, hospital staff or NPO sector staff;
- Medical scams – including, the sale of fake or counterfeit medicines, "miracle cures", or equipment, especially personal protective equipment ("PPE");
- Investment scams – "pump and dump" schemes soliciting investments in unknown medical research companies or companies that have supposedly found a cure;
- Cybercrimes – email and SMS phishing attacks aimed at individuals and businesses;
- Drug trafficking – lockdowns have forced drug traffickers to change to online activity, encrypted messaging apps, social media, and "Darknet" marketplaces;
- Structuring and smurfing – personal financial insecurity due to temporary or permanent loss of employment has led to an increase in allowing criminals to use personal bank accounts for laundering purposes for a fee (note that the same could be true of a struggling business in need of funds); and
- Corruption and misuse of government relief funds – governments globally have implemented significant economic support measures for individuals and businesses, and the disbursement of these funds opens opportunities for bribery and corruption, fraud, diversion of funds, or misuse of funds for unauthorised purposes.

Additional issues that firms should consider

- A customer could be the perpetrator, or the victim of the behaviours and methods described above, and firms' monitoring processes should take account of both scenarios;
- Illicit activity may not match any of the examples described above. Criminals will always try to take advantage of times of disruption to conduct other crimes;
- In these unprecedented times, the account behaviour of many customers is likely to have changed, such as the increased use of non-face-to-face channels. This may be entirely innocent, and a "one size fits

all" approach to assessing customer behaviours is not appropriate. Firms need to assess each customer on their merits and distinguish between true high-risk indicators and customer activity that has changed legitimately due to the prevailing circumstances. This is especially true of business customers that may have suffered significant disruptions to their operations, supply chains, the timing of invoicing and payments, etc., leading to different behavioural patterns compared to the past once business activities have resumed. Vigilance is needed to distinguish between genuine and illegitimate behaviours;

- Customers may have trouble in providing evidence of identity, due diligence information, or documentation due to business disruption or social distancing requirements. Firms must therefore consider appropriate measures to accommodate customers within reason, while also ultimately complying with their obligations under the AML/CFT Law. In such circumstances, any change in approach should be discussed with the QFCRA in advance; and
- Firms must also be vigilant for the diversion of funds for the purposes of funding terrorism.

Examples of changes in customer behaviours that may indicate increased risk (either as a victim or perpetrator)

- Unexplained or unjustified change in business or account activity, particularly those highlighted above;
- Sudden increase in transaction volumes, including receipt of third-party funds from unknown counterparties;
- Attempts to avoid customer due diligence requirements and enquiries;
- Sudden requirements for new products, such as letters of guarantee and letters of credit, where previously the customer has not required such products;
- Increase in the use of financial services and electronic platforms to conceal illicit income sources or illicit activity;
- Receipt of unexplained government grants or aid;
- Payments to individuals by a business, where such payments would not have been the norm before the pandemic;
- Payments to third parties in high-risk jurisdictions, or to jurisdictions where the customer has no known business or operations;
- Deposits or withdrawals that are inconsistent with the customer's previous transaction habits;
- Transactions with countries that are not fully compliant with FATF standards, or that may be in conflict zones; and
- Change in ownership or control of a corporate customer, which may be indicative of criminals taking over a business.

Measures to be taken by firms to address these risks

- To review their Business Risk Assessment to ensure that the identified typologies and risks are appropriately considered, and appropriate actions are identified and implemented to strengthen controls where needed;
- To conduct staff training on the risks, red flags, and adjustments to controls;
- To apply appropriate due diligence measures and effective transaction monitoring processes, particularly in relation to activity that may not be consistent with the customer's normal pattern. This expectation remains even where staff might be working remotely;
- To apply appropriate due diligence measures in relation to transactions that are concluded using trade products and services such as letters of guarantee and letters of credits, those related to medical equipment or services;
- To continue to apply enhanced due diligence measures to transactions involving countries that have strategic AML/CFT deficiencies or that are in conflict zones;
- To apply enhanced due diligence measures to transactions involving NPOs (or purported NPOs) and PEPs; and
- To ensure that cases of non-application of due diligence measures are outstanding for compelling reasons and that such cases will be addressed immediately once restrictions associated with the pandemic are relaxed.