

# 2022 Guidance for the AML/CFT Independent Review Report

V 2.0

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## Glossary of terms

<b>AML/CFT</b>	Anti-Money Laundering/Combating Terrorist Financing
<b>AML/CFTR</b>	Anti-Money Laundering and Combating the Financing of Terrorism Rules 2019
<b>AMLG</b>	Anti-Money Laundering and Combating the Financing of Terrorism (General Insurance) Rules 2019
<b>AML/CFT Rules</b>	AML/CFTR and AMLG collectively
<b>BURA</b>	Business Risk Assessment
<b>Competent Authority</b>	An AML/CFT regulator in the State of Qatar or the Qatar Financial Centre
<b>DNFBP</b>	Designated Non-Financial Business and Profession
<b>Firm</b>	Financial Institution and/or Designated Non-Financial Business and Profession
<b>KYC</b>	Know Your Customer
<b>MLRO</b>	Money Laundering Reporting Officer
<b>NAMLC</b>	Qatar National Anti-Money Laundering and Terrorism Financing Committee
<b>NCTC</b>	National Counter Terrorism Committee (Qatar)
<b>PEP</b>	Politically Exposed Person
<b>PPSC</b>	Policies, procedures, systems and controls
<b>PPO</b>	Public Prosecutors Office
<b>QFC</b>	Qatar Financial Centre
<b>QFIU</b>	Qatar Financial Information Unit
<b>Regulatory Authority</b>	Qatar Financial Centre Regulatory Authority
<b>TAM</b>	Threat Assessment Methodology
<b>TFS</b>	Targeted Financial Sanctions
<b>UNSC</b>	United Nations Sanctions Committee

## Purpose

The Regulatory Authority has developed the independent review guidance to assist firms in the discharge of their obligations, as set out in the Anti-Money Laundering and Combating the Financing of Terrorism Rules 2019 (“AML/CFTR”) or the Anti-Money Laundering and Combating the Financing of Terrorism (General Insurance) Rules 2019 (“AMLG”). The AML/CFTR and AMLG are collectively referred to as the AML/CFT Rules.

## Background

### AML/CFT programme

Firms must develop an AML/CFT programme that includes reviewing and testing the firm's compliance with its AML/CFT policies, procedures, systems and controls (“PPSC”).

### Firms' obligations under the AML/CFT Rules 2.1.1 3 (d), 4 and 5

An independent review and testing of the firm's compliance with its AML/CFT PPSC per subrule (4):

(4) The review and testing of the firm's compliance with its AML/CFT PPSC must be adequately resourced and conducted at least once every 2 years. The person doing the review must be professionally competent, qualified and skilled, and must be independent of:

- (a) the function being reviewed; and
- (b) the division, department, unit or other parts of the firm where that function is performed.

Note: Testing would include, for example, sample testing of the firm's AML/CFT programme, screening of employees, record-making and retention, and ongoing monitoring for customers.

(5) The firm must make and keep a record of the results of its review and testing under subrule (4) and give the Regulator a copy of the record by 31 July 2023 and every 2 years thereafter.

### **Senior Management responsibility under the AML/CFT Rules 2.2.2**

(1) The senior management of a firm must ensure:

(d) that independent review and testing of the firm's compliance with its AML/CFT PPSC are conducted per rule 2.1.1 (4).

### **Coverage period**

The AML/CFT independent review must be completed at least once between **1 July 2021 to 30 June 2023**.

### **Deadline for submission**

Your firm must submit a copy of the independent review report to the Regulatory Authority **no later than 31 July 2023**, via the Regulatory Authority's Electronic Submission System.

### **Delay in submission of the report**

Should there be delays in submission of the report, an administrative fee will apply as per the General Rules 2005 (GENE).

## Materially incomplete reports

Should reports be materially incomplete, resubmissions will be requested, and, as a result, an administrative fee may be imposed for delays in the resubmission.

## Suitability of the reviewer

### Skills, knowledge, and experience

The person conducting the review must have appropriate AML/CFT skills, knowledge, and experience; and be professionally competent. The independent reviewer must undertake the review with due skill, care, and diligence.

## Independence of the reviewer

The person conducting the review should be independent of the function being reviewed and the division, department, unit, or other parts of the firm where that function is performed.

Further, firms and independent reviewers need to ensure that there is no actual or potential conflict. If there is a conflict, the independent reviewer must refrain from conducting the review.

The following is a list of examples demonstrating the lack of independence of the reviewer. Please note this list is indicative but not exhaustive.

1. An MLRO from another entity conducting a review where the person covered AM/CFT obligations of the firm under review for a period.

2. The group MLRO conducting a review on the QFC entity, which essentially means the group MLRO is reviewing work for which that person is ultimately responsible.
3. A risk specialist conducting the review who previously conducted the risk assessment for the firm or developed the risk assessment PPSC.

## **Who can perform the independent review?**

The firm's internal auditor, external auditor, risk specialist, consultant, or an MLRO from another branch of the firm.

## **When the review is conducted by the external auditor**

Where the firm's external auditor is engaged to conduct the independent review, the firm's Governing Body/Audit Committee needs to consider the auditor's independence and ensure they expressly state that they are not doing the review as the firm's auditor but as an independent reviewer, and it is independent of the audit process.

## **Engagement letter**

The independent review guidance must be shared with the independent reviewer and form part of the engagement. The Regulatory Authority may require the engagement letter to be submitted to it.

## **Scope of the independent review report<sup>1</sup>**

The independent review's scope should address, at a minimum, the following:

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<sup>1</sup> to the extent applicable to the firm

- a. The overall integrity and effectiveness of the firm's AML/CFT compliance programme, including PPSC;
- b. Integrity and accuracy of management information systems used in the AML/CFT compliance programme;
- c. The adequacy, quality, scope, and frequency of the firm's AML/CFT assessments, including documented BURA, TAM, and the risk profiling of a business relationship;
- d. Implementation of KYC and Customer Identification Programmes;
- e. Adequacy of customer due diligence (and enhanced due diligence) PPSC, and whether they comply with both internal and relevant regulatory requirements;
- f. Adequacy of measures to reduce the risks associated with establishing and maintaining business relationships with PEPs, their family members, and associates;
- g. Adequacy of due diligence performed for customers' sources of funds and wealth;
- h. Funds received into the firm's account, not limited to customer transactions, being verified on a reasonable basis for money laundering and terrorist financing risks;
- i. Customer file reviews and the testing performed to assess compliance with Chapter 4 of the AML/CFT Rules;

- j. Adequacy of the firm's ongoing monitoring programmes, including appropriate transaction testing, with particular emphasis on high-risk operations (products, services, customers, and geographic locations) and the screening of customers, transactions, and accounts against sanctions lists;
- k. Adequacy and effectiveness of the sanctions screening process, including TFS, UNSC, NCTC, and PPO notifications issued by the Regulatory Authority, a government entity, or a competent authority in Qatar;
- l. An assessment of the overall process for identifying and reporting suspicious transactions/activities, including a review of internal and external Suspicious Transaction Reports to determine their accuracy, timeliness, and completeness, and overall effectiveness of the firm's policy;
- m. Screening for higher-impact individuals/implementation of Know Your Employee;
- n. Review of the AML/CFT training programme to determine its comprehensiveness and effectiveness, including a review of the accuracy of materials, the training schedule, and attendance tracking;
- o. The firm's consideration of guidance papers issued by the Regulatory Authority, NAMLC, QFIU, or competent authority, and implementation of appropriate action;

- p. Evaluating management's efforts to resolve violations and deficiencies noted in previous tests or audits and regulatory reviews, and towards promoting a firm-wide AML/CFT compliance culture within the firm;
- q. Assessing the implementation of a previous Risk Mitigation Programme issued by the Regulatory Authority to report on effective implementation, closure of action points, and any deficiencies identified or recommendations to be made;
- r. Documentary evidence of compliance and recordkeeping requirements;
- s. AML/CFT regulatory reports submitted to the QFCRA. Independent reviewers must include in their testing all relevant AML/CFT reports provided to the Regulatory Authority, such as Form Q25, Form Q26, the Annual MLRO Report, and any other form or report provided under a Regulatory Authority requirement. This should include verifying the accuracy and comprehensiveness of information contained in the reports and cross-checking information in various AML/CFT reports provided to the Regulatory Authority. Discrepancies, if any, must be incorporated into the Independent Review Report;
- t. Form Q25 - AML/CFT Self-Assessment Questionnaire. Independent Reviewers should include in their report any significant differences, if any, between the Form Q25 Self-Assessment Questionnaire conducted by

the MLRO and the Independent Reviewer's evaluation of compliance of the firm's AML/CFT PPSC.

- u. Personnel adherence to the firm's AML/CFT PPSC; and
- v. Any other matters that the independent reviewer deems important based on the firm's nature, scale, and complexity.

Independent reviewers must be cognisant of the nature, scale, and complexity of the firm. Additional factors such as the firm's head office/parent entity's location in a higher risk jurisdiction and reliance on the head office, intermediaries or third parties to discharge certain AML/CFT obligations warrant enhanced scrutiny to ensure compliance with the AML/CFT Rules.

### **Testing information to be included in the independent review report**

The report must contain sufficient documentation, description of the testing performed, and the resulting conclusions regarding the AML/CFT programme's sufficiency in assuring ongoing compliance with the AML/CFT Rules and other relevant legislation or regulations. Written reports should include the testing results (such as the percentage of customer files reviewed, testing of the source of funds and wealth, employee files, etc.) and provide recommendations for improvements, as relevant and appropriate.

### **Outcome of the report**

Should the review identify any findings, deficiencies, and recommendations, Senior Management must address the issues identified and be responsible for

adequate remediation and closure within the agreed timelines. This must be included in the report.

## Conclusion and grading

The independent reviewer must include a summary of the review and the assessment of the overall AML/CFT framework of the firm. A granular and overall grading of AML/CFT controls must be provided using the scale of Good, Acceptable, Needs Improvement, or Deficient.

## Responsibility and accountability

The firm's senior management and independent reviewer are responsible and accountable for ensuring that the independent review is conducted as per the relevant rules and guidance.

## Record retention

All engagement letters, working notes, sample testing, and other records related to the review must be retained for a minimum period of 10 years.

## Format of the report and submission requirements

**Note: 'Annexure 1', which is at the end of this guidance, must be attached to the Independent Review Report. Failure to provide Annexure 1 will result in the report being deemed materially incomplete, and a resubmission will be requested.**

Firms may provide either a single comprehensive report that meets all the requirements of rule 2.1.1 (3) (d) and subrule 4 or, in instances where various focused independent reviews were conducted during the coverage period,

consolidate the different reports from standalone reviews undertaken, as long as the requirements of rule 2.1.1 (3) (d) and subrule 4 are met. Please note that firms who have already provided the report to the Regulatory Authority as part of standard supervisory engagement **must upload the document again**. For clarity, if a consolidated submission is being made, a cover letter explaining the consolidation must be attached in addition to the reports and '**Annexure 1**'.

To ensure compliance with subrule 4, all submissions must adequately identify the individual/party who conducted the independent review, including their name, title/designation, and role.

## **Method of submission**

The report is to be submitted **via the Electronic Submission System (ESS)**.

## **Queries**

Should you have any queries regarding the above, kindly send your query to **[aml@qfcra.com](mailto:aml@qfcra.com)**.

## **Annexure 1**

**(this section must be completed by the reviewer)**

- 1. Name of the independent reviewer**
- 2. Designation and role of the reviewer (if the review is conducted internally)**
- 3. Designation of the reviewer and name of the firm (if the review is conducted by an external firm)**
- 4. AML/CFT skills, knowledge, and experience of the reviewer/s**
- 5. Confirmation that the reviewer is independent**
- 6. Confirmation that the independent review guidance was considered for the review**
- 7. Confirmation that the review included, at a minimum, the scope of the 2022 Independent Review Guidance**
- 8. Date when the review started**
- 9. Date when the review concluded**
- 10. Date when the independent review report was completed and provided to the firm's Senior Management**
- 11. Date when Senior Management responded to the independent review report**

## 12. Type of issues identified during the review and number of issues

S. No	Type of issues identified	Number of Issues
1.	AML/CFT PPSC	
2.	MLRO and DMLRO	
3.	BURA, TAM, Risk Profiling	
4.	KYC/CDD/EDD/Monitoring	
5.	Customer file reviews	
6.	Sanctions Screening	
7.	STRs	
8.	Employee screening	
9.	AML/CFT training	
10.	AML/CFT regulatory reports	
11.	Record retention and documentary evidence of compliance	
12.	Others (enter details)	
Total number of issues identified		

## 13. Closure of recommended items/ corrective action status

Closed   
  Work in progress   
  Not started   
  Not applicable

Additional comments \_\_\_\_\_

## 14. Independent reviewer's grading of the outcome of the review

Good   
  Acceptable   
  Needs improvement   
  Deficient  
 Not graded   
 Other grading, if applicable \_\_\_\_\_

## 15. International Assurance Standard used

Yes                                     
  No

If yes, state the standard used below.

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## Important

The General Rules 2005 contain important provisions you should be aware of when communicating with the Regulatory Authority. It is a contravention of Article 84 of the Financial Services Regulations for any person to knowingly or recklessly provide information to the Regulatory Authority that is false, misleading or deceptive, or to conceal information from the Regulatory Authority where the concealment of the information is likely to mislead or deceive the Regulatory Authority.

### Acknowledgement from the independent reviewer

I ***(insert the independent reviewer's name and title)*** hereby confirm that the independent review has been conducted according to AML/CFT Rules 2.1.1 3 (d), 4 and 5. Further, I confirm that I was independent to conduct the review. I understand that the Regulatory Authority will rely on my review, particularly the status of AML/CFT compliance with the AML/CFT Rules, findings, deficiencies, recommendations, and relevant action points highlighted in the report.

**Signature of the reviewer**

**Date**