



Commonwealth of Dominica  
**MINISTRY OF FINANCE**  
**Financial Services Unit**

***Dominica Financial Services Unit***

**'Procedures for Accountants'**

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## AML/CFT GUIDANCE FOR ACCOUNTANTS

### PURPOSE AND CONTENTS

The Financial Services Unit of the Commonwealth of Dominica (“the FSU”) provides the following overview of the obligations under the Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT) regime of the Commonwealth of Dominica for Accountants irrespective of membership in a recognized professional body.

The purpose of this guidance is to provide industry specific guidance for the accounting sector on their legal obligations for measures to deter and detect money laundering and financing of terrorism activities. As AML/CFT obligations are contained in several laws, amendments and regulations, our aim is that Accountants will find this guidance useful as a reference to the relevant provisions pertaining to their legal obligations. This guidance uses plain language to explain the most common situations under the specific laws and related regulations which impose AML/CFT requirements. It is provided as general information only. It is not legal advice, and is not intended to replace the AML/CFT Acts and Regulations.

With reference to statutory law the use of the word “must” indicates a mandatory requirement, “should” indicates a best practice and the word “may” states an option for you to consider.

This guidance, which is divided into TEN (10) Parts, includes:

- 1) Clarification on the business activities which bring an Accountant with in the AML/CFT regime.
- 2) An explanation of money laundering and financing of terrorism.
- 3) The main AML/CFT legal obligations and how these should be applied.
- 4) How to identify suspicious transactions and industry specific “red flags”.

## PART 1

### DO THESE OBLIGATIONS APPLY TO YOU?

These obligations apply to you if you are an individual or company, firm or partnership when you perform certain specified activities. If you are an employee of such individual, company, firm or partnership these obligations are the responsibility of your employer but you as an employee will have obligations to report suspicious transactions to the Compliance Officer of your organization in accordance with your employer's compliance programme.

You are subject to the obligations explained in this guideline only if you engage in any of the following specified activities on behalf of any individual or entity (other than your employer), or give instructions in respect of the following specified activities on behalf of any individual or entity (other than your employer):

- 1) buying and selling of real estate;
- 2) managing of client's money, securities and other assets; management of banking, savings or securities accounts;
- 3) organization of contributions for the creation, operation or management of companies;
- 4) creation, operation or management of legal persons or arrangements; and buying and selling of business entities.

These specified activities will include receiving or paying funds (e.g., you receive funds in trust to pay bills on behalf of your client); and transferring funds or securities by any means.

#### Specified Activity explained further:

- a) **Buying and Selling of Real Estate.** This specified activity applies to both residential and commercial purchase and sale, lease and mortgage transactions and transactions which finance a purchase or sale of real estate. "Transaction" includes the receiving or making of a gift so no dollar limits or thresholds apply to this specified activity.
- b) **Managing of client's money, securities or other assets.** Here, as well as under items c) and d) below, the Accountant would be handling the client's funds. AML/CFT obligations focuses on the potential risk in situations where the Accountant is actually handling client's funds. This specified activity includes situations where you as an Accountant controls the use, application, or disposition of funds or has signatory authority over the client's financial account.

Best practice: Any time you, as an Accountant, "touch the money" you should satisfy yourself as to the *bona fides* of the sources and ownership of the funds.

- c) **Management of bank, savings or securities accounts.** In addition to the risks identified in item (b) above, an Accountant must be particularly cognizant of the funds that move through his/firm's trust account or client's account.

*Best Practice:* Accountants should exercise caution to avoid situations where they are essentially providing banking services for their clients as opposed to merely holding client's money for a legitimate transaction. For example, if you are being asked to make/receive payments to/from persons not party to the transaction but to uninterested persons whose identities are difficult to verify, you should exercise caution and/or treat this as a higher risk

- d) **Organization of contributions for the creation, operation, or management of companies.** This specified activity occurs when an Accountant prepares for or carries out a transaction where investors contribute capital to a legal entity and would conceivably cover financing and refinancing transactions.
- e) **Creation, operation, or management of legal persons or arrangements, and buying and selling of business entities.** This category of specified activities would include work routinely carried out by Accountants involved in commercial activities and includes mergers and acquisitions.

Funds received or held for professional fees, disbursements or expenses are not included in the specified activities.

As well, since Accountants may provide certain trust and legal services to their clients, this guidance should also be followed by any Accountant, Accounting Company, Firm or Partnership which provides the following services:

- 1) acting as a formation agent of legal persons;
- 2) acting as (or arranging for another person to act as) a director or secretary of a company, a partner of a partnership or a similar position in relation to other legal persons;
- 3) providing a registered office, business address or accommodation, correspondence or administrative address for a company a partnership or any other legal person or arrangement; or
- 4) acting as (or arranging for another person to act as) a nominee shareholder for another person;
- 5) acting as or arranging for another person to act as a trustee of an express trust.

You are subject to the obligations explained in this guideline if you engage in or give instructions relating to the specified activities or services *regardless* of whether or not you receive any fees or have a formal letter of engagement. So, even if you carry out these activities on a volunteer basis, you are subject to the AML/CFT requirements.

You are **NOT** subject to the AML/CFT requirements if you:

- i. only carry out activities or transactions other than those listed above, e.g., financial audits.
- ii. operate in an advisory only capacity. This is where you provide advice only to your clients. It means that you make recommendations or suggestions to them in contrast to the carrying out of any of the above-mentioned activities by which you would actually direct or handle the movement of funds. **Providing advice is not considered to be giving instructions.**

Example: Giving instructions versus providing advice.

*Example of giving instructions:* “Based on my client's instructions, I request that you transfer \$15,000 from my client's account, account number XXX, to account number YYY at Bank X in Country Z.”

*Example of providing advice:* “Based on the interpretation or application of (an element of Tax law), we recommend that you invest in (a certain investment vehicle) to reduce your tax liability.”

## PART 2

### LISTED BUSINESS

AML/CFT is everyone's responsibility. All Accountants, and all citizens of the Commonwealth of Dominica, are subject to the Proceeds of Crime Act ("the POCA") and the Suppression of the Financing of Terrorism Act ("the SFTA"). However, further obligations are imposed on business sectors which face a greater risk of coming across crime proceeds and terrorist property than others. Business sectors which have been identified as more vulnerable include Accountants and Attorneys-at-Law when performing certain specific functions, Real Estate agents, Dealers in precious metals and precious stones dealers(s) and Trust and Company service providers, etc. These business sectors are identified as "Listed Businesses" under the Schedule to the Money Laundering (Prevention) Act 8 of 2011 and the Proceeds of Crime (Amendment) Act 2 of 2014.

If you carry on the business activities described in Part 1 and 2 you are a Listed Business; and you MUST comply with legal obligations under the AML/CFT laws of Commonwealth of Dominica and the FSU as your Supervisory Authority monitors your compliance.

The AML/CFT Commonwealth of Dominica, in which you will find your obligations, are:

- 1) Proceeds of Crime Act No.4 of 1993;
- 2) Suppression of Financing of Terrorism Act No. 3 of 2003;
- 3) Financial Services Unit Act No.18 of 2008;
- 4) Proceeds of Crime S.R.O No. 10 of 2014;
- 5) Money Laundering (Prevention) Act No. 08 of 2011;
- 6) Money Laundering (Prevention) S.R.O 4 of 2013
- 7) And other related legislations, guidelines and enactments.

These laws are available on the FSU's website <http://www.fsu.gov.dm/>

## PART 5

### WHAT IS MONEY LAUNDERING?

The offence of money laundering is the process by which illegally obtained funds are given the appearance of having been legitimately obtained. Money laundering begins with the commission of criminal activity which results in benefits/gains (illegal funds) to the perpetrator. The perpetrator will then try to disguise the fact that the funds were generated from criminal activity through various processes and transactions which may involve other individuals, businesses and companies. There is no one single method of money laundering. Methods range from the purchase and resale of a luxury item (e.g., cars or jewelry) to passing money through legitimate businesses and “shell” companies. The proceeds usually take the form of cash which needs to enter the financial system by some means.

There are three (3) acknowledged methods in the money laundering process.

#### **1) Placement**

Placement is where funds derived from criminal activities are brought into the financial system. Examples of Placement include depositing cash into bank accounts or using cash to purchase assets. Techniques used include Structuring or ‘smurfing’– where instead of making a large deposit transaction and in order to avoid suspicion this is broken up into smaller cash deposits into single or multiple accounts sometimes using other persons to deposit the cash.

#### **2) Layering**

This takes place after the funds have entered into the financial system. It involves the movement of the money. Funds may be shuttled through a web of multiple accounts, companies and countries in order to disguise their origins. The intention is to conceal, and obscure the money trail in order to deceive the FIU and to make the paper trail very difficult to follow.

#### **3) Integration**

The money comes back to criminals as apparently legitimate funds. The laundered funds are used for activities such as investment into real estate, luxury assets, and business ventures, to fund further criminal activity or enhance the criminal’s lifestyle. At this stage, the illegal money has achieved the appearance of legitimacy.

Successful money laundering allows criminals to use and enjoy the income from the criminal activity without suspicion which is why the AML/CTF legislative and compliance regimes are important crime fighting tools

## **PART 6**

### **WHAT IS FINANCING OF TERRORISM?**

Financing of Terrorism is the process by which funds are provided to an individual or group to fund terrorist activities. Unlike money laundering, funds can come from both legitimate sources as well as from criminal activity for the financing of terrorism. Funds may involve low dollar value transactions and give the appearance of innocence and can be from a variety of sources. Funds may be derived from personal donations, profits from businesses and charitable organizations e.g., a charitable organization may organize fundraising activities where the contributors to the fundraising activities believe that the funds will go to relief efforts abroad, but, all the funds are actually transferred to a terrorist group. Funds may also originate from criminal sources, such as the drug trade, the smuggling of weapons and other goods, fraud, kidnapping and extortion.

Unlike money laundering, which involves always proceeds derived from criminal activity, Financing of Terrorism involves both legitimate funds as well as funds derived from criminal activity, being used in support of executed and planned terrorist activity. Similar to money launderers, terrorist financiers also move funds to disguise their source, destination and purpose for which the funds are to be used. The reason is to prevent leaving a trail of incriminating evidence and to distance the funds from the crime or the source as well as to obscure the intended destination and purpose.



## PART 7

### WHY ARE ACCOUNTANTS A LISTED BUSINESS?

The FATF, the body which sets standards internationally for money laundering and terrorist financing, evaluated money laundering and financing of terrorism risks and vulnerable activities and found that money laundering and financing of terrorism activities were involved in the accounting sector. In many countries, Accountants are the first professionals consulted by small businesses and individuals when seeking general business advice and on a wide range of regulatory and compliance issues.

The FATF characterizes Accountants as “**Gatekeepers**” because they “protect the gates to the financial system,” through which potential users must pass in order to succeed. The term includes professional experts who provide financial expertise to launderers, such as lawyers, accountants, tax advisers, and trust and service company providers. The FATF has noted that gatekeepers are a common element in complex money laundering schemes. Gatekeepers’ skills are important in creating legal structures that could be used to launder money and for their ability to manage and perform transactions efficiently and to avoid detection. FATF’s Recommendation 22 acknowledges the role that such gatekeepers can play by recommending that such individuals have AML/CFT responsibilities when engaged in certain activities.

#### Examples of ML cases involving Accountants

##### Case 1 - Accountant and lawyers assist in a money laundering scheme

Suspicious flows of more than USD 2 million were identified being sent in small amounts by different individuals who ordered wire transfers and bank drafts on behalf of a drug trafficking syndicate who was importing 24 kg of heroin concealed in cargo into Country Z. Bank drafts purchased from different financial institutions in Country Y (the drug source country) were then used to purchase real estate in Country Z. An Accountant was used by the syndicate to open bank accounts and register companies. The Accountant also offered investment advice to the principals.

A firm of solicitors was also used by the syndicate to purchase the property using the bank drafts that had been purchased overseas after they had first been processed through the solicitor’s trust account. Family trusts and companies were also set up by the solicitor.

**Case 2 - An Accountant provides specialist financial advice to organized crime**

A law enforcement operation identified an Accountant, Mr. J, who was believed to be part of the criminal organization involved in money laundering and re-investment of illicit proceeds derived from drug trafficking led by Mr. X.

Mr. J's role was mainly that of a "legal and financial consultant". His task was to analyze the technical and legal aspects of the investments planned by the organization and identify the most appropriate financial techniques to make these investments appear legitimate from a fiscal stance. He was also to try to make these investments profitable. Mr. J was an expert in banking procedures and most sophisticated international financial instruments. He was the actual financial "mind" of the network involved in the re- investment of proceeds available to Mr. X.

Mr. J operated by sub-dividing the financial transactions among different geographical areas through triangle transactions among companies and foreign credit institutions, by electronic transfers and stand- by credit letters as a warrant for commercial contracts which were later invested in other commercial activities.

*Source: FATF Report on money laundering typologies 2003-2004*

**PART 8**  
**YOUR OBLIGATIONS**

Your main obligations under the AML/CFT laws are summarized below:

- 1) Register with the FSU;
- 2) Develop and implement a Compliance Programme which adopts a “risk-based approach” to ensure compliance approved by senior management;
- 3) Submit suspicious transaction or suspicious activities Reports to the FIU;
- 4) No “Tipping-off”;
- 5) Keep Records;
- 6) Ascertain client identity and where client is acting for a Third Party;
- 7) Appoint a Compliance Officer and an alternate to the Compliance Officer;

**1) REGISTRATION WITH THE FSU/FIU:**

You must register with the FSU/FIU for the purpose of identifying yourself as an entity which is supervised by the FSU/FIU if you perform any of the specified activities.

You must also notify the FSU of a change of address of your registered office or principal place of business within six (6) months of such change.

**a) How to Register**

The registration process is very simple and free of charge. The FSU/FIU can be contacted at 1 767 266 3514/1 767 266 3349.

**2) SUBMITTING REPORTS TO THE FIU**

You are required to send to the FIU two (2) types of reports:

- a) **reports of Suspicious Transactions or Activities (STRs/SARs); and**
- b) **reports of Terrorist Funds in your possession**

The relationship between reporting entities and the FIU is a key one, because the FIU can only perform its analytical function as a crime fighting tool to produce financial intelligence if the various reporting entities report the critical information where there is a suspicious basis.

**Failing to report to the FIU knowledge or suspicion of crime proceeds or terrorist property is a criminal offence.** If you continue to deal with such transaction or funds knowing or having reasonable grounds to suspect that the funds are crime proceeds or terrorists' funds and you do not report it to the FIU, then you may have committed the offence of money laundering or financing of terrorism yourself.

**a) Reporting Suspicious Transactions/Activities**

**I.** You must **submit a Suspicious Transaction or Suspicious Activity Report (STR/SAR)** to the FIU where you know or have reasonable grounds to suspect;

that funds being used for the purpose of a transaction are the proceeds of criminal conduct; or

a transaction or an attempted transaction is related to the commission or attempted commission of a money laundering offence; or

that funds are linked or related to, or to be used for terrorism, terrorist acts or by terrorist organizations or those who finance terrorism.

The STR/SAR must be submitted within fourteen (14) days of the date the transaction was deemed to be suspicious.

**II.** You **must submit a STR/SAR to the FIU immediately** if a designated entity\* attempts to enter into a transaction or continue a business relationship. **You must not enter into or continue a business transaction or business relationship with a designated entity.**

\*A designated entity means any individual or entity and their associates designated as terrorist entities by the Security Council of the United Nations.

**III. Defining Knowledge and Suspicion**

The first criterion provides that, before you become obliged to report, you must know or have reasonable grounds for suspecting, that some other person is engaged in money

laundering or financing of terrorism.

If you actually ‘know’ that your client is engaged in money laundering, then your situation is quite straightforward – the first criterion is met. However, knowledge can be inferred from the surrounding circumstances, so, e.g. Failure to ask obvious questions may be relied upon by a jury to imply knowledge.

You are also required to report if you have ‘reasonable grounds’ to suspect that the client or some other related person is engaged in money laundering or financing of terrorism. By virtue of this second, ‘objective’ test, the requirement to report will apply to you if based on the facts of the particular case, a person of your qualifications and experience would be expected to draw the conclusion that those facts should have led to a suspicion of money laundering. The main purpose of the objective test is to ensure that Accountants (and other regulated persons) are not able to argue that they failed to report because they had no conscious awareness of the money laundering activity, e.g., by having turned a blind eye to incriminating information which was available to them, or by claiming that they simply did not realize that the activity concerned amounted to money laundering.

#### **IV. Attempted Transactions**

You also have to pay attention to suspicious attempted transactions. If a client attempts to conduct a transaction, but for whatever reason that transaction is not completed, and you think that that attempted transaction is suspicious, you must report it to the FIU.

Example of suspicious attempted transaction: A client wants you to form a company for him. He is vague on what are the proposed company’s business activities and he presents you with \$ 10,000 in cash to cover your fees and incorporation fees. You ask him for identification and he delays in providing it but keeps pressing you to form the company; subsequently he terminates the transaction. If you think that this transaction is related to some crime you have to report that attempted transaction to the FIU. On the other hand, a client simply seeking your advice on how to form a company and how long it takes would not be sufficient for being an attempted transaction.

Therefore, an attempt is only when concrete action has been taken to proceed with the transaction.

**NOTE: Remember**, it is only when you know or reasonably believe that the funds are criminal proceeds or related to money laundering or financing of terrorism that you have to report: you do not have to know what the underlying criminal activity is or whether illegal activities occurred.

You must report suspicious transactions/activities and terrorist funds on the **STR/SAR Form**.

#### V. How to Identify a Suspicious Transaction and Suspicious Activity

Accountants are encouraged to adopt a healthy level of professional skepticism and to make reasonable enquiries if they come across information which could form the beginning of a suspicion.

You are the one to determine whether a transaction or activity is suspicious based on your knowledge of the client and of the industry. You are better positioned to have a sense of particular transactions which appear to lack justification or cannot be rationalized as falling within the usual parameters of legitimate business. You will need to consider factors such as; is the transaction normal for that particular client or is it a transaction or payment method which is a typical i.e. unusual.

In making your assessment, consider some of the functions performed by Accountants that are the most useful to the potential launderer such as:

- Financial and tax advice – Criminals with large sums of money to invest may pose as individuals hoping to minimize their tax liabilities or desiring to place assets out of reach in order to secure future liabilities;
- Creation of corporate vehicles or other complex legal arrangements (e.g. trusts)
  - such structures may serve to confuse or disguise the links between the proceeds of a crime and the criminal;
- Buying or selling of property – Property transfers serve as either the cover for transfers of illegal funds (layering stage) or else they represent the final investment of these proceeds after their having passed through the laundering process (integration stage);
- Performing financial transactions – Accountants may carry out various financial operations on behalf of the client (e.g., cash deposits or

withdrawals on accounts, retail foreign exchange operations, issuing and cashing cheques, purchase and sale of stock, sending and receiving international funds transfers, etc.); and

- Gaining introductions to financial institutions.

While general indicators may point to a suspicious transaction, industry-specific indicators would also help you and your employees to better identify suspicious transactions whether completed or attempted.

Consider the following red flags when you act on behalf of a client:

- Client appears to be living beyond his or her means.
- Client has cheques inconsistent with sales (i.e., unusual payments from unlikely sources).
- Client has a history of changing book-keepers or Accountants yearly.
- Client is uncertain about location of company's records.
- Company carries non-existent or satisfied debt that is continually shown as current on financial statements.
- Company has no employees, which is unusual for the type of business. Company is paying unusual consultant fees to offshore companies.
- Company's records consistently reflect sales at less than cost, thus putting the company into a loss position, but the company continues without reasonable explanation of the continued loss.
- Company shareholder loans are not consistent with business activity.
- Examination of source documents shows misstatements of business activity that cannot be readily traced through the company's books.
- Company makes large payments to subsidiaries or similarly controlled companies that are not within the normal course of business.
- Company acquires large personal and consumer assets (i.e., boats, luxury automobiles, personal residences and cottages) when this type of transaction is inconsistent with the ordinary business practice of the client or the practice of that particular industry.
- Company is invoiced by organizations located in a country that does not have adequate money laundering laws and is known as a highly secretive banking and corporate tax haven.
- Client has business activity inconsistent with industry averages or financial ratios.
- Examination of source documents shows misstatements of business activity that cannot be readily traced through the company books.

\*Source: <http://www.fintrac-canafe.gc.ca/publications/guide/guide-eng.asp>

It is important to note that it is not only cash transactions which may be suspicious. Money Laundering includes the layering and integrating stages where there is no more cash, but only funds that are moved around while trying to confuse the money trail. It can also be of any amount. If you think a \$ 1,000.00 transaction is suspicious, you must report it to the FIU.

**b) Reporting Terrorist Funds**

- i. You **must report immediately** to the FIU the existence of funds within your business where you know or have reasonable grounds to suspect that the funds belong to an individual or legal entity who:
  - commits terrorist acts or participates in or facilitates the commission of terrorist acts or the financing of terrorism; or
  - is a designated entity.
- ii. You must report immediately to the FIU where you know or have reasonable grounds to believe that a person or entity named on the UN list or the list circulated by the FIU, has funds in the Commonwealth of Dominica.

**3) NO TIPPING-OFF**

When you have made a suspicious transaction report to the FIU, you or any member of your staff must not disclose the content of such report to any person including the client or that you have made such a report. It is an offence to deliberately tell any person, including the client, that you have or your business has filed a suspicious transaction report about the client's activities/transactions. You must also not disclose to anyone any matter which may prejudice money laundering or financing of terrorism investigation or proposed investigation.

The prohibition applies to any person acting, or purporting to act, on behalf of an Accountant or accounting firm, including any agent, employee, partner, director or other officer, or any person engaged under a contract for services.

**4) RECORD KEEPING**

You are required to keep a record of each and every transaction for a specified period. Record keeping is important to anti-money laundering investigation which allows for swift reconstruction of individual transactions and provides evidence for prosecution of money laundering and other criminal activities.



You must keep the following records in electronic or written form for a period of seven (7) years or such longer period as the FIU directs. The records must be kept for seven (7) years after the end of the business relationship or completion of a one-off transaction.

- a. All domestic and international transaction records;
- b. Source of funds declarations;
- c. Client's identification records;
- d. Client's information records;
- e. Copies of official corporate records;
- f. Copies of suspicious transaction reports submitted by your staff to your Compliance Officer (STRs/SARs);
- g. A register of copies of suspicious transaction reports submitted to the FIU STRs/SARs);
- h. A register of all enquiries made by LEAs (date, nature of enquiry, name of officer, agency and powers being exercised) made by any Law Enforcement Authority or other competent authority;
- i. The names, addresses, position titles and other official information pertaining to your staff;
- j. All wire transfers records; (originator and beneficiary identification data); and
- k. Other relevant records.

## **5) ASCERTAIN CLIENT IDENTITY – KNOW YOUR CUSTOMER**

If you cannot satisfactorily apply your due diligence measures in relation to a client, e.g., you are unable to identify and verify a client's identity or obtain sufficient information about the nature and purpose of a transaction, you must NOT carry out a transaction for that client or enter into a business relationship with the client and you must terminate any business relationship already established. You should also consider submitting a STR/SAR to the FIU.

### **a. All Customers**

The general principle is that an Accountant should establish satisfactorily that he is dealing with a real person or organization (not fictitious) and obtain identification evidence sufficient to establish that the client is that person or organization. In the case of an organization, you must ascertain that the client is duly authorized to act for the organization.

You must identify who the prospective client is and verify the person's identity by reference to independent and reliable source material. Such material should include documentary identification issued by the Government departments or agencies. You must also ask the source of funds for the transaction. Client's identification, also called Customer Due Diligence (CDD) or Know Your Client-(KYC), must be obtained for customers who are individuals as well as companies. You must obtain satisfactory evidence of the client's identity before establishing a business relationship or completing a transaction for occasional customers.

**b. High Risk Customers/Transactions**

There are customers and types of transactions and products which may pose higher risk to your business and you are required to take additional measures in those cases. The AML/CFT laws have identified certain high risks customers and require you to perform Enhanced Due Diligence ("EDD") e.g. where dealing with a politically exposed person (PEP).

You must take specific measures to identify and verify the identity of the following individuals or entities:

- i. Any individual or entity who conducts a large cash transaction i.e. EC \$10,000 and over;
- ii. Any individual or entity who conducts business transactions with persons and financial institutions in or from other countries which do not or insufficiently comply with the recommendations of the Financial Action Task Force (the "FATF").
- iii. Any individual or entity who conducts a complex or unusual transaction (whether completed or not), unusual patterns of transactions and insignificant but periodic transactions which have no apparent economic or visible lawful purpose;
- iv. Domestic and Foreign PEPs.
- v. Any individual or entity for whom you have to send a suspicious transaction report to the FIU (reasonable measures and exceptions apply e.g., to avoid tipping-off); and
- vi. Any client or transaction, product type that you have identified as posing a higher risk to your business.

You must apply EDD measures to high risk clients, which may include:

- Verification of identity using independent sources e.g. additional form of Government issued identification;
- obtaining details of the source of the customer's funds and the purpose of the transaction;
- Impose a cash threshold limit for transactions after which a senior officer's approval is needed to conduct the transaction;
- Verify the source of funds for the transaction e.g. if client states the money is from his bank account, ask for proof; or
- Ongoing monitoring of the client's account through the relationship e.g. weekly, monthly, quarterly or on a transaction basis (frequency determined relative to perceived risk).

**c. Is the Client acting for a Third Party?**

You must take reasonable measures to determine whether the client is acting on behalf of a third party.

Such cases will include where the client is an agent of the third party who is the beneficiary and providing the funds for the transaction. In cases where a third party is involved, you must obtain information on the identity of the third party and their relationship with the client.

In deciding who the beneficial owner is in relation to a client who is not a private individual, (e.g., a company or trust) you should look behind the corporate entity to identify those who have ultimate control over the business and the company's assets, with particular attention paid to any shareholders or others who inject a significant proportion of the capital or financial support.

Particular care should be taken to verify the legal existence and trading or economic purpose of corporates and to ensure that any person purporting to act on behalf of the company is fully authorized to do so.

## 6) APPOINT A COMPLIANCE OFFICER AND ALTERNATE OFFICER

You must appoint either a senior employee of your business or other competent professional as approved in writing by the FSU as a designated Compliance Officer for your business/firm. The individual you appoint will be primarily responsible for the implementation of your compliance regime. Where an external party is the designated CO the responsibility for compliance obligations will be that of the business.

You must also appoint an alternate for the CO (“ACO”) who shall be a senior employee or such other competent professional as approved in writing by the FSU. The alternate shall discharge the functions of the CO in his absence.

**You must obtain the approval of the FIU for the person you have chosen as your CO and ACO.** If you change your CO or ACO you must inform the FSU immediately and get the FSU’s approval for the new CO and ACO.

Your CO should have the authority and the resources necessary to discharge his or her responsibilities effectively including access to all relevant areas of the reporting entity’s operations, all relevant staff members (at any level) and the power to effect corrective action if applicable. The CO must:

- a) have full responsibility for overseeing, developing, updating and enforcing the AML/CFT Programme;
- b) have sufficient authority to oversee, develop, update and enforce AML/CFT policies and procedures throughout the company;
- c) be competent and knowledgeable regarding money laundering issues and risks and the anti-money laundering legal framework.

Depending on your type of business, your CO should report, on a regular basis, to the board of directors or senior management, or to the owner or chief operator of the business. The identity of the CO and the alternate CO must be treated with the strictest confidence by you and your staff.

**The CO's responsibilities include:**

- i. Submitting STRs/SARs and TFRs to the FIU and keeping relevant records;
- ii. Acting as Liaison officer between your business and the FIU;
- iii. Implementing your Compliance Programme;
- iv. Directing and enforcing your Compliance Programme;
- v. Ensuring the training of employees on the AML/CFT;
- vi. Ensuring independent audits of your Compliance Programme.
- vii. Record keeping of STRs/SARs

For consistency and on-going attention to the compliance regime, your appointed CO may choose to delegate certain duties to other employees. For example, the officer may delegate an individual in a local office or branch to ensure that compliance procedures are properly implemented at that location. However, where such a delegation is made, the CO retains full responsibility for the implementation of the compliance regime.

**7) DEVELOP A WRITTEN COMPLIANCE PROGRAMME**

After you have registered with the FIU as a reporting entity, you must develop a written Compliance Programme ("CP"). If you are an organization, the CP should be approved by senior management.

The CP is a written document which includes a risk assessment of your particular business and which sets out your system of internal procedures, systems and controls which are intended to mitigate the vulnerabilities and inherent risks identified by you which can be exploited by money launderers and terrorism financiers. Your CP will contain measures that ensure that you comply with your reporting, record keeping, client identification, employee training, and other AML/CFT obligations. These policies, procedures and controls, must be communicated to employees, and when fully implemented, will help reduce the risk of your business being used for money laundering or to finance terrorism.

A well-designed, applied and monitored regime will provide a solid foundation for compliance with the AML/CFT laws. As not all individuals and entities operate under the same circumstances, your compliance procedures will have to be tailored to fit your individual needs. It should reflect the nature, size and complexity of your operations as well

as the vulnerability of your business to money laundering and terrorism financing activities. In accordance with Regulation 7 of the FORs, the CP shall be designed to include policies, procedures and controls for:

- a. customer identification, documentation and verification of customer information and other customer due diligence measures;
- b. identification and internal reporting of STRs/SARs;
- c. adoption of a risk-based approach to monitoring financial activities;
- d. external and independent testing for compliance;
- e. an effective risk-based audit function to evaluate the CP;
- f. internal control and communication as may be appropriate to forestall money laundering;
- g. retention of transaction records and other information;
- h. a list of countries, published by the FIU which are non-compliant, or do not sufficiently comply with the FATF's Recommendations; and
- i. adoption of risk-management and procedures concerning the conditions under which a customer may utilize the business relationship prior to verification.

## **8) IMPLEMENT AND TEST YOUR COMPLIANCE PROGRAMME**

Your obligations include implementing your written CP. The FIU may conduct an onsite examination to determine whether the measures outlined in your CP are effectively implemented. In addition, you must conduct internal testing to evaluate compliance by your staff with your CP in particular, CDD, record keeping and suspicious transactions reporting.

Best practice: Internal testing should be carried by someone other than the CO to avoid potential conflict since the CO is responsible for implementation of the CP which contains your AML/CFT measures.

External testing must also be carried out to test the effectiveness of your systems, controls and implementation of same by someone not employed in your business.

Such reviews (both internal and external) must be documented and made available to the FSU.

## PART 9

### OFFENCES & PENALTIES FOR NON-COMPLIANCE

Non-compliance with your obligations under the AML/CFT laws and regulations may result in criminal and or administrative sanctions.

Penalties include fines and terms of imprisonment, and sanctions include possible revocation of licenses, issuance of directives and court orders.

## PART 10

### ADDITIONAL RESOURCES

This summary is intended to guide you in fulfilling your legal obligations under the AML/CFT Laws. Additional reference materials include:

- The AML/CFT laws available on the FSU’s website, [www.fsu.gov.dm](http://www.fsu.gov.dm) under “Legislation”.
- FATF Guidance on the Risk-Based Approach for Accountants - updated February 1, 2012 at <http://www.fatf-gafi.org/documents/riskbasedapproach/fatfguidanceontherisk-basedapproachforaccountants.html>
- The FATF recommendations at [www.fatf-gafi.org/recommendations](http://www.fatf-gafi.org/recommendations)

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