



LAO PEOPLE DEMOCRATIC REPUBLIC
PEACE INDEPENDENCE DEMOCRACY UNITY PROSPERITY

National Committee for Anti-Money Laundering
and Counter-Financing of Terrorism

Anti-Money Laundering Information Office

Vientiane Capital, dated 08 August 2018

**ANTI-MONEY LAUNDERING AND COUNTER-FINANCING OF
TERRORISM ON-SITE INSPECTION MANUAL**

- Pursuant to the Law on Anti-Money Laundering and Counter-Financing of Terrorism, No. 50/NA, date 21 July 2014.
- Pursuant to the Decision on the Establishment and Activities of the Anti-Money Laundering Information Office, No. 15, dated 08 November 2016,

I. OBJECTIVES

1. To follow up and encourage the financial institution in the implementation of the provisions, regulations and laws relating to the activities on anti-money laundering and counter-financing of terrorism (AML/CFT).
2. To assess the internal management system of the financial institutions to see whether if such system is or not accurate and consistent with the provisions, regulations and laws relating to the activities on the anti-money laundering and counter-financing of terrorism (AML/CFT).
3. To determine the deficiency/shortfalls the operation of the management system of the financial institutions on the anti-money laundering and counter-financing of terrorism (AML/CFT).
4. To ensure sufficient information on the field inspection of the financial institutions.
5. This handbook is for the staffs of the Anti-Money Laundering Information Office in order to determine the rights and duties, working methods, procedure of the onsite inspection of the financial institutions accordingly to Article 17 of Law on Anti-Money Laundering and Counter-Financing of Terrorism.

II. RIGHTS AND DUTIES OF THE INSPECTORS

The inspectors of the Anti-Money Laundering Intelligence Office (AMLIO) have the following rights and duties:

1. To inspect the implementation of policies and relevant regulations on the activities of AML/CFT of the financial institutions.
2. To inspect the accounting documents, internal management system, information and technology system, trainings and the transaction reporting of the financial institutions.
3. To consult on the activities of AML/CFT with the management committees at all levels of the financial institutions.
4. To give instructions and comments to policies, regulations and other legislation of the financial institutions to be consistent with the legislation of the National Committee for Anti-Money Laundering and Counter-Financing of Terrorism (NCAML)
5. To follow up the implementation of the instructions as provided for in the co-signed records of the onsite inspection.
6. Additional information if required.
7. To follow up, as deemed appropriate, the implementation of penalties in case of non-compliance with the laws and regulations.
8. To consider and propose the higher level to remove the positions of the persons who failed to comply with the relevant laws and regulations.

III. QUALIFICATION AND ETHICS OF THE INSPECTORS

1. The inspectors of AMLIO shall be those who adhere to and believe to the policies of the higher levels and shall be the principal in the implementation of the laws of the State and regulations of the Party.
2. The inspectors of AMLIO shall have knowledge, capacity and experiences of high level in order to ensure the effectiveness of the inspection activities. Therefore, the inspectors shall be continuously subject to the upgrade and enhancement of knowledge and capacity in terms of technical inspection, laws, regulations and rules.
3. The inspectors shall perform their duties with high accountability and consider the interests of the nation as more important.
4. The inspectors shall perform their duties with honesty and equity and accuracy based on laws and regulations.
5. The inspectors shall be the persons with patience and diligence and be ready to give all explanation as per their positions.
6. The inspectors shall the secrets of the financial institutions and shall disclose such information to outside persons.
7. The inspectors shall avoid to expressing their opinions to outside persons.
8. The inspectors shall be frank, able to analyze any situations, be tactical, conscientious and dynamic in implementing their activities, be able to draw the

lessons and to use the experiences into the development for the effective inspection of activities.

9. The inspectors shall not be biased and not subject to the financial institutions being inspected and not subject to other beneficiaries.
10. The inspectors shall have the working methods of centralized democracy, collaboration and working in team and making report on the result of the inspection to the management committee.

IV. PROHIBITIONS FOR THE INSPECTORS

1. It is prohibited to have contact with or to engage in the anti-money laundering and counter-financing of terrorism.
2. It is prohibited to have contacts in all forms or to provide assistance to the money launderers and the providers the financing to terrorism.
3. It is strictly prohibited to disclose to the public and third persons (including their own family members) all official secrets, financial data and information of the financial institutions, including all of that have been seen, found, heard and other.
4. It is prohibited to disclose personal information of the other persons or to criticize the same that may cause prejudices to the officials or to the public sector of the financial institutions in general.
5. It is prohibited to opportunistically misuse the power for their own benefits, families or parties.
6. It is prohibited to receive the bribes, awards or other things worth more than necessary or deemed to cause the default to the ethics of the inspectors, such as monies, gifts, souvenirs.
7. It is prohibited to have bias against the financial institutions and the relevant officials while they are conducting the inspection.
8. It is prohibited to illegally gambling, consume narcotic drugs, or to enter in contact with any activities which would cause harmful effects to the society. The persons who have caused impacts to the technical works shall be liable for such actions in all cases.

V. SETTING PLANS PRIOR CONDUCTING ONSITE INSPECTION AND INSPECTION PERIOD

1. Setting a plan prior conducting onsite inspection

- 1) To determine the targets for onsite inspection (Financial institutions).
- 2) To determine the date and time for inspection.
- 3) To determine the objectives of the inspection.
- 4) To collect the information from the Division of Intelligence, such as: suspicious transaction, report on the internal and external inspection (if any) and other information obtained from other sectors.
- 5) To re-examine the previous report of the inspection.
- 6) To appoint the inspection committee.

- 7) To notify the targeted financial institutions.
- 8) To allocate the responsibilities among the members of the inspection committee.

2. Onsite inspection

- 1) To meet the Managing Director or official responsible for information collection and to report and declare the objectives of the inspection.
- 2) To examine the legal documents and the resolution of the financial institution towards the instruction of the previous inspection.

VI. FORMS AND METHODS OF INSPECTION

1. Forms of inspection

The inspection of the activities of AML/CFT is of three forms:

- 1) Regular inspection: refers to the inspection conducted in accordance with the fixed plans on regular basis with a certain time period.
- 2) Inspection with prior notice refers to the inspection conducted with no plans fixed and when it is deemed necessary by prior notifying served to the inspected targets.
- 3) Emergency inspection: refers to an urgent inspection without prior notification.

2. Methods of inspection

The inspectors shall interview the relevant employees of the financial institution and shall focus on various reports, such as, the provision of services, risk assessments, alteration of the risks of the clients, daily reports and reports on various transactions, specifically, transactions suspicious to be the money laundering and financing of terrorism and to follow up various suspicious items found during the inspection.

VII. DETAILS OF INSPECTION

The inspectors shall ensure that the reporting entities are complied with the standards and conditions as provided for in the following regulations and the Law on AML/CFT:

1. Inspection of the establishment of AML/CFT programs of the financial institutions

The inspectors shall inspect to see if the policies and procedures of the financial institution are whether adequate, complete and compliant with the Law on AML/CFT and other relevant legislation.

2. Appointment of information gathering and reporting officials

1) Unit responsible for the implementation of activities of AML/CFT

The inspectors shall inspect if the financial institutions have or not established their units to be responsible for AML/CFT management or specific sectors responsible for the AML/CFT activities management to be compliant with the policies and regulations issued by AMLIO and NCAM.

2) Information gathering and reporting officials

The inspectors shall inspect to see if the financial institution has whether has

appointed the information gathering and reporting officials who meet the standards and conditions in accordance with the laws and regulations to be responsible for **MAL/CFT** activities within the institutions. Such appointment shall be approved by the Board of Directors and such officials shall have the following actions:

- Ensure the implement of the conditions relating to MAL/CFT activities within the financial institution.
- The procedure of reporting of the transaction suspected of being money laundering and financing of terrorism shall be safe and kept the information in confidential.
- Ensure that the officials shall have knowledge and implement the MAL/CFT measures.
- Following up the customers' transaction for surveillance and for identifying the transaction suspected of being money laundering and financing of terrorism.
- Coordination with the financial institution an AMLIO.

3) Coordination between the customer service units and officials for information gathering and reporting officials

The inspectors shall pay attention to see whether the financial institutions has or not coordinated with the units for customer services and officials for information gathering and reporting officials and had reported on the performance of activities of units for customer services, such as, deposits, withdrawals, granting of credits and other by determining their policies and regulations, and then, developing them to be the operation handbooks and ensuring that all relevant employees thoroughly recognized them.

3. Inspection of the implementation of the principle of risk assessment and risk-based approach

The inspectors shall inspect the improvement of the principle of the risk assessment and risk-based approach of the financial institutions to be accurate and suitable with the actual risks from time to time.

The inspectors shall inspect the determination of the operating procedure and measures to mitigate the risks in the event that the financial institutions have used the instructors or proxies in contacting with the customers or in the event that the customers have not a direct contact with the financial institutions.

The inspectors shall inspect the financial institutions to see if whether has or not determined the timeframe for the risk assessment and risk-based approach in appropriate periods.

4. Inspection of the implementation of the principles of Know Your Customers-KYC (KYC-CDD)

The inspectors shall examine the operating procedure of the Know Your Customers

(KYC) for the financial institutions to mitigate the risks to be tools for the money laundering and financing of terrorism. When the customers requested for the opening of new bank accounts, the financial institutions' staffs responsible for account opening services shall seek to know their customers by interviewing them and asking for their identification to obtain their information and data for the customers' risk level classification. Therefore, the inspectors shall consider that the financial institutions must determine the operating procedure for making the transaction with the risked customers, such as:

- Have standards of KYC in accordance with the relevant laws and legislation of the managers, both internal and external managers,
- Have the process for assessing the risks in case of dealing transactions with the principal customers,
- Receive information and seek for customers sufficiently and suitably to the risk level of the customers,
- Have adequate procedure for following up and administration of the new accounts of the customers sufficiently and suitably to the risk level of each group of customers,
- Have process for examining the description of the customers whose names may be appeared in the databases of financial institutions pursuant to the notices of AMLIO and databased of the relevant sectors.

5. Inspection of the implementation of the principles of Customer Due Diligence for Bank-CDD

The inspectors shall conduct the assessment that the financial institutions have establish the handbook for the collection of the customers' detailed information as below:

- Classification of customers groups and risk level of each group in order to classify the database in details of the groups of the customers with high risks who shall show more information than those customers with normal risks of the financial institutions.
- Various factors, such as: customer's biography, country of origin, social status, accounts connected with the transaction, types of transaction business, instruments indicating other risks which shall be considered for being additional information.
- The financial institutions shall be required to make additional examination against the persons who have sound financial situation, but with unclear financial sources, customers with unclear contact information or customers with other risks.
- For the customers who are the politically exposed persons (PEP) requesting to open the deposit accounts with the financial institutions, the financial institutions shall pay special attention to them, particularly, those staffs who provide the account opening services shall report such request to Chief Executive Officers.
- The inspectors shall examine to see if the financial institutions whether have or not made the review of customers' deposits every 03 months, it is meant that the

financial institutions shall have to reviews the customers who have made their deposits in the past 03 months and up to now what status their have based on the electronic inspection (Word check...).

6. Inspection of the establishment of the handbooks and operating procedure of the customer service units

The inspectors shall the handbooks or the operating procedures of the customers service units of the financial institutions whether are or aren't in line with the legislation of AMLIO OR NACAM, and are they been disseminated to the staffs who provide service to the customers for knowledge and understanding for their actual practices. These handbooks shall be used for making the transaction with both regular and new customers, and the financial institutions shall conduct the study the international practices (the corresponding banks) on the AML/CFT activities.

7. Inspection of management information system (MIS) and customer identification program (CIP).

1) Inspection of the management information system (MIS)

The inspectors shall consider whether have or have not the MIS and the inspector shall consider if the financial institutions have or have not done the following actions:

- Conduct the inspection on the link between the financial institutions' computer system and computer system of AMLIO.
- Conduct the inspection of the safety system during the receiving-sending the information within the financial institutions, including the correctness of information before sending them off to the other relevant sectors.
- Conduct the assessment if the financial institutions have or have not verified or identified the unusual or suspicious transactions, such as: determination of the maximum ceiling of the deposits at various levels, including special surveillance system for the accounts at high risks.
- Conduct the assessment if the financial institutions have or have not the verification system of both historic and new customers comparing to the AMLIO's notice on list of terrorists or suspected persons as regularly reported by the relevant sectors.
- Conduct the assessment if the financial institutions have or have not such transaction information system linked with its branches for monitoring and verifying the customers.

2) Inspection of the electronic transaction reporting

The inspectors shall inspect to see if the financial institutions have or have not made various transaction reports to AMLIO, such as, transaction in cash over the determined value of one hundred million Kips (100.000.000 Kips), report on the transaction suspected of being the money laundering and financing of terrorism,

report on the transferred monies over the determined value, report on cash, precious metals and financial instruments of equivalent value of one hundred million Kips (100.000.000 Kips), and summary of transaction report.

8. Inspection of the relation with politically exposed persons (PEP)

More attention shall be paid to the KYC and to the storage of the information of the customers who are both domestic and foreign PEP, including their relatives and persons who have close relation with such persons.

9. Inspection of the report on suspicious transaction (STR)

It shall be required to make available the determination of the reporting procedure on the unusual transactions or transactions suspected of being money laundering and financing of terrorism to be sent to the chief executive officer for consideration and the, forwarded to AMLIO.

10. Inspection of the report on cash transaction over the determined value (CTR)

It shall be required to make available of the system for storage the information on cash, both in Lao Kip and foreign currencies, which is comprised of : cash deposits or withdrawal, sale and purchase of cheques, transfer cash to the customers by using cash payment for any transfer or transaction through cash system. A transaction in cash over the determined value is a transaction in cash of an amount equivalent to or over one hundred million Kips (100.000.000 Kips), and it is required to send such report on the same to AMLIO every 30 business days.

11. Inspection of the report on wire transaction over the determined value (WTR)

It shall be required to make available of the storage of information on the wire transfer (WTR) of amount equivalent to or over eight million Kips (8.000.000 Kips) per time or in accordance with the determination of AMLIO, and to be sent to AMLIO on request.

12. Inspection of the information storage.

It shall be required to make available of the customers' identification information storage corresponding to the fact. Such information shall be kept at least for a period of 10 years, and thereafter they may be destroyed.

13. Inspection of training activity arrangement

- The inspectors shall inspect to see if the financial institutions have or have not organized the trainings on laws and regulations, including policies procedures on AML/CFT activities in continuously manner by updating their contents to be consistent with the relevant laws and regulations. Such trainings shall make known on the new forms of the methods of money laundering and financing of terrorism with showing the examples through the study cases for well understanding of the significance of the trainings on AML/CFT activities.

- The inspectors shall inspect to see how the participants in each training have been classified in term of targets, such as:
 - The management or executive officers,
 - New staffs,
 - Checkpoint borders staffs,
 - Staffs who are responsible for opening the new accounts or receive new customers.

14. Internal inspection

The inspectors shall make the assessment of the AML/CFT activities of the financial institutions to be in consistent with the relevant legislations as follow:

- The inspectors shall inspect to see if the heads of the inspection units have clearly set up the inspection plan of each year and such plans have or not been approved in term of scope and contents for inspection, to see if are there such topics of AML/CFT activities to be subject of the yearly inspection, such as, the number of the inspected customers, the inspection pursuant to such forms issued by AMLIO,
- The inspectors shall inspect to see whether the internal inspectors are or not independent in conducting the inspection of AML/CFT activities,
- The inspectors shall inspect to see whether the internal inspectors of the financial institutions have or have not conducted the inspection and made the timely report on the same; if not, such time of inspection shall be extended in reasonable manner,
- The inspectors shall inspect to see whether the financial institutions have or have not set the requirements of AML/CFT activities of the internal inspection and have they been trained,
- The inspectors shall inspect to see whether the internal inspectors have or have not conducted the activities of the customer service units to see if such units are fully complied with the regulations and orders issued by the financial institutions and with the rules and order of the AMLIO and NACAML,
- The inspectors shall follow up the implementation of the results of the previous inspections to see if such results have been resolved or are there any issues to be resolved.
- The inspectors shall make observation of the internal inspectors of the financial institutions to see if they are conducted other inspections.

15. Independent external inspection

1) Determination of the external inspectors

The inspectors of AMLIO shall verify if whether the financial institutions have or have not conducted the auditing by the external auditing agencies and such selected have or not met the international standards.

2) Details of the auditing

The inspectors shall verify to see whether if the external auditors are complied with the following requirements:

- Assessment in general of the adequacy and effectiveness of the AML/CFT operation system, including policies, procedures and processes,
- Review of the risks of the financial institutions relating to the risk information of the banks, such as: products, services, customs, legal entities and geographical places,
- Inspection of the transaction having basic risks to certify that if the financial institutions have collected the information and made the reports on AML/CFT activities in accordance with the issued requirements, such as, customers due diligence (CDD), reporting of the suspicious transaction (STRs), reporting of cash transactions over the determined values (CTRs) and other,
- Assessment of the due diligence of the executive officers in the resolutions of the deficiencies as stated in the previous inspection reports and inspection of the implementation of the laws and regulations, including the resolutions of the deficiencies as suggested by the managers in the previous period, if any,
- Review the training for the staffs to see if such training are or not adequate, accurate or perfect for the staffs,
- Writing the annual reports on AML/CFT activities.

16. Assessment of the implementation of AML/CFT

The inspectors shall verify to see if the assessment of the implementation of AML/CFT activities of the reporting units, such as: compliance with the basic key principles of the financial institutions on those principles and management consistent with the basic key principles connected with AML/CFT activities, including group management in connection with AML/CFT activities, regulations of the management, monitor and inspection of the sectors related to the money laundering. At least it should be applied to those financial institution which provide money transfer services or money exchange shops that they have their own inspection systems to ensure that the financial institutions have complied with AML/CFT activities of the country, review the ML/FT assessments, status of the financial institutions or financial groups from time to time, in particular when there are changes in the management and services of the financial institutions or financial groups.

17. Miscellaneous

The inspectors shall consider the cases in which there is a change in various relevant regulations and amendments made to this handbook to be suitable the actual situation from time to time.

VIII. WRITING THE REPORT ON THE INSPECTION

1. The inspection management committed shall finalized its inspection report within 5

official day from the date of the completion of the inspection.

2. Contents of the inspection:

- 1) Inspection of the establishment of the action plans on AML/CFT activities of the financial institutions.
 - 2) Appointment of the information gathering and reporting officials.
 - 3) Inspection of the implementation of the principles of risk assessment and management.
 - 4) Inspection of the compliance with the principle of KYC-CDD
 - 5) Inspection of the strengthening of the principle of Customer Due Diligence for Bank-CDD.
 - 6) Inspection of the drafting of handbooks and standard operating procedures of the customer service units.
 - 7) Inspection of the management of information system (MIS) and custom identification program (CIP).
 - 8) Inspection of the politically exposed persons (PEPs)
 - 9) Inspection of the report on suspicious transaction (STR)
 - 10) Inspection of the report on cash transaction over the determined values (CTR)
 - 11) Inspection of the report on transaction on the wire transfer of monies over the determined values (WTR)
 - 12) Inspection of the information keeping
 - 13) Inspection of the activities of trainings of the financial institutions
 - 14) Inspection of the internal audit
 - 15) Inspection of the external audit
 - 16) Assessment of the result of the implementation of AML/CFT
 - 17) Other issues.
3. After the completion of the inspection as above-mentioned, the committee shall have to determine the deficiencies to the financial institution to be resolved with regard to their AML/CFT activities management systems and the duration of the implementation of the resolution of such deficiencies (duration shall be 03-06 months).
4. After completion of completion of the report writing, the report shall be read in the presence of the Managing Directors or the information gathering and reporting officials to be unanimously agreed and co-signed.

IX. PERIOD/DURATION OF INSPECTION

The monitoring and inspection of the financial institutions determined the levels of frequency and concentration of the management of the financial institutions of the financial institutions and financial groups, both on-site and off-site inspections in which consideration shall be based on the risks of ML/FT and policies on internal control and operation procedures of the financial institutions and financial groups accordingly to the assessment of the risk backgrounds of the financial institutions and financial groups, existing internal risks of ML/FT, nature and characteristics of the financial institutions and financial groups in the expansion of the number of the financial institutions and the directions of the implementation

of the risk assessments which are determined the duration of the monitoring and inspection of the risks of the financial institutions from time to time as below:

1. The inspectors shall conduct the on-site monitoring and inspection of the financial institutions with high risks every year,
2. The inspectors shall conduct the on-site monitoring and inspection of the financial institutions with medium risks every two years,
3. The inspectors shall conduct the on-site monitoring and inspection of the financial institutions with high risks 3 years.

Head of AMLIO

[Signature & Seal]

Phengsy Phengmuang