



Anti-Money Laundering and Counter Financing Terrorism (AML/CFT)



Content

- I. Overview.**
- II. Right and Obligations of reporting entities to implementing Law on AML/CFT.**



I. Overview.

1. What is money laundering and financing of terrorism?

1.1. Money laundering

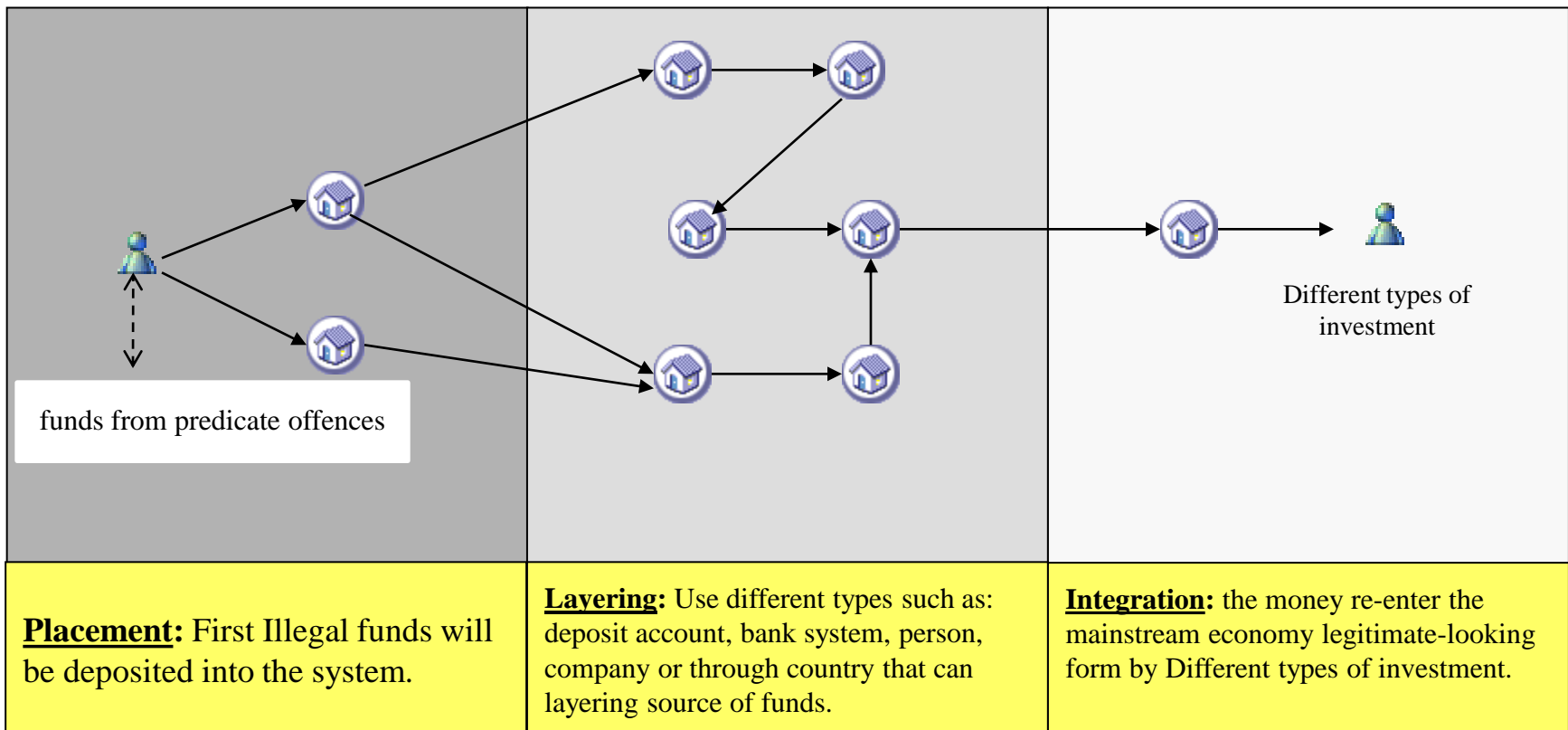
Money laundering is process of taking dirty funds from predicate offences or illegal and converting its to clean funds.

Its means process of implementation convert from “dirty money” to “clean money” or transform funds from illegal to make its seem legally.

I. Overview (cont.)

1.1. Money laundering (cont.)

Example: Process of money laundering transform funds from illegal.



remarks: The movement of the money laundering transactions above is unnecessary through all 3 steps.



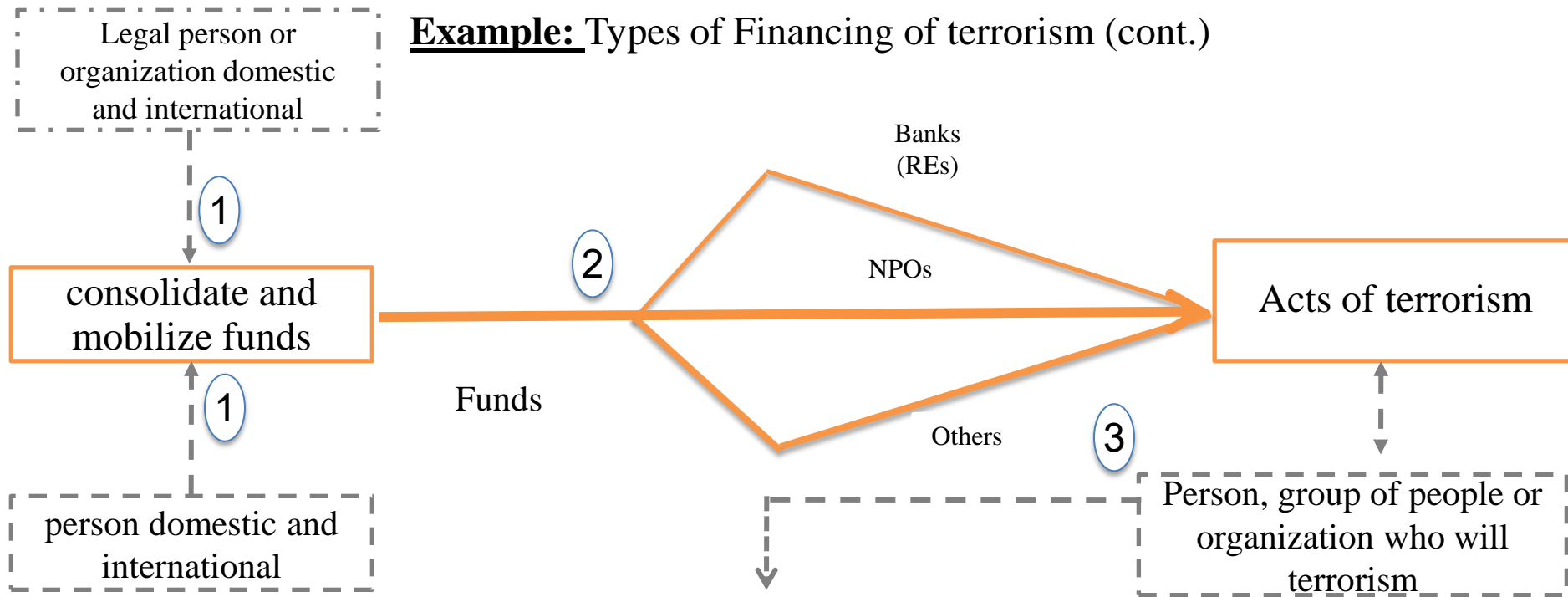
I. Overview (cont.)

1.2 Financing of terrorism

Using funds support to make terrorism by giving funds to person, group of people, organisation or terrorist organisation with acts of terrorism by any means.

Its means an intentional act by a natural person, legal person or organisation that attempts to give, consolidate and mobilize funds or properties, legally or illegal, wholly or partially, to finance terrorism or terrorist or activities link to specific terrorism act regardless such funds or properties are used to finance the actual action.

I. Overview (cont.)



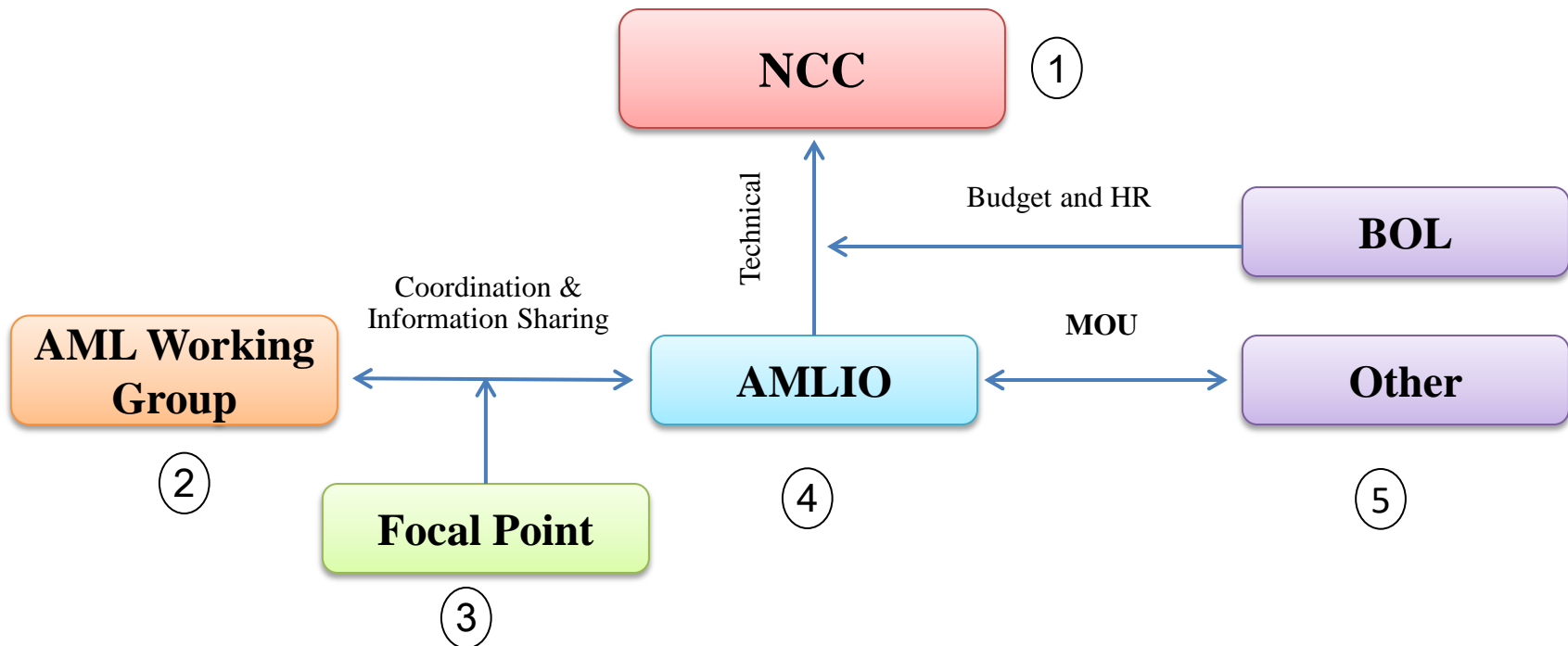
Acts of terrorism

1. Acts that effect the national security, socio-economic foundation, foreign and international organisations, cause difficulties to international relations of the Lao PDR or chaos to people in the society;
2. Acts that affect lives, health, freedom, or deemed as a physical and psychological coercion and threat;
3. Seizure, damaging properties, invasion, attack, obstruction, causing damages and chaos to computer communication and Internet systems or digital instruments of state organisations, legal persons and natural persons.



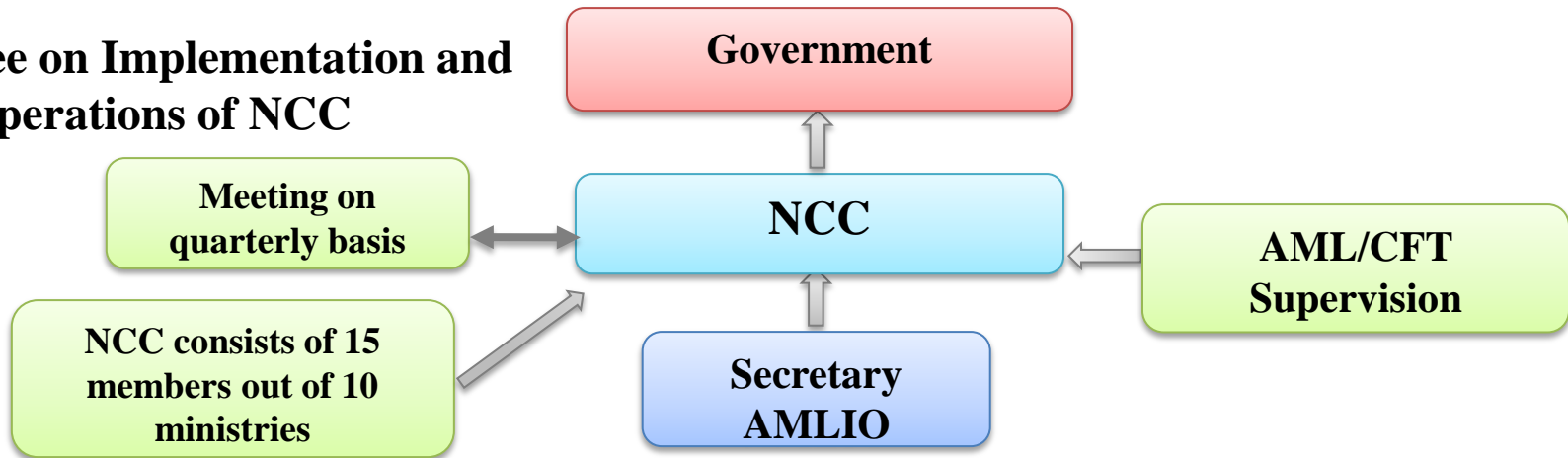
I. Overview (cont.)

❑ Implementation Mechanism on AML, CTF/CPF



I. Overview (cont.)

Decree on Implementation and Operations of NCC



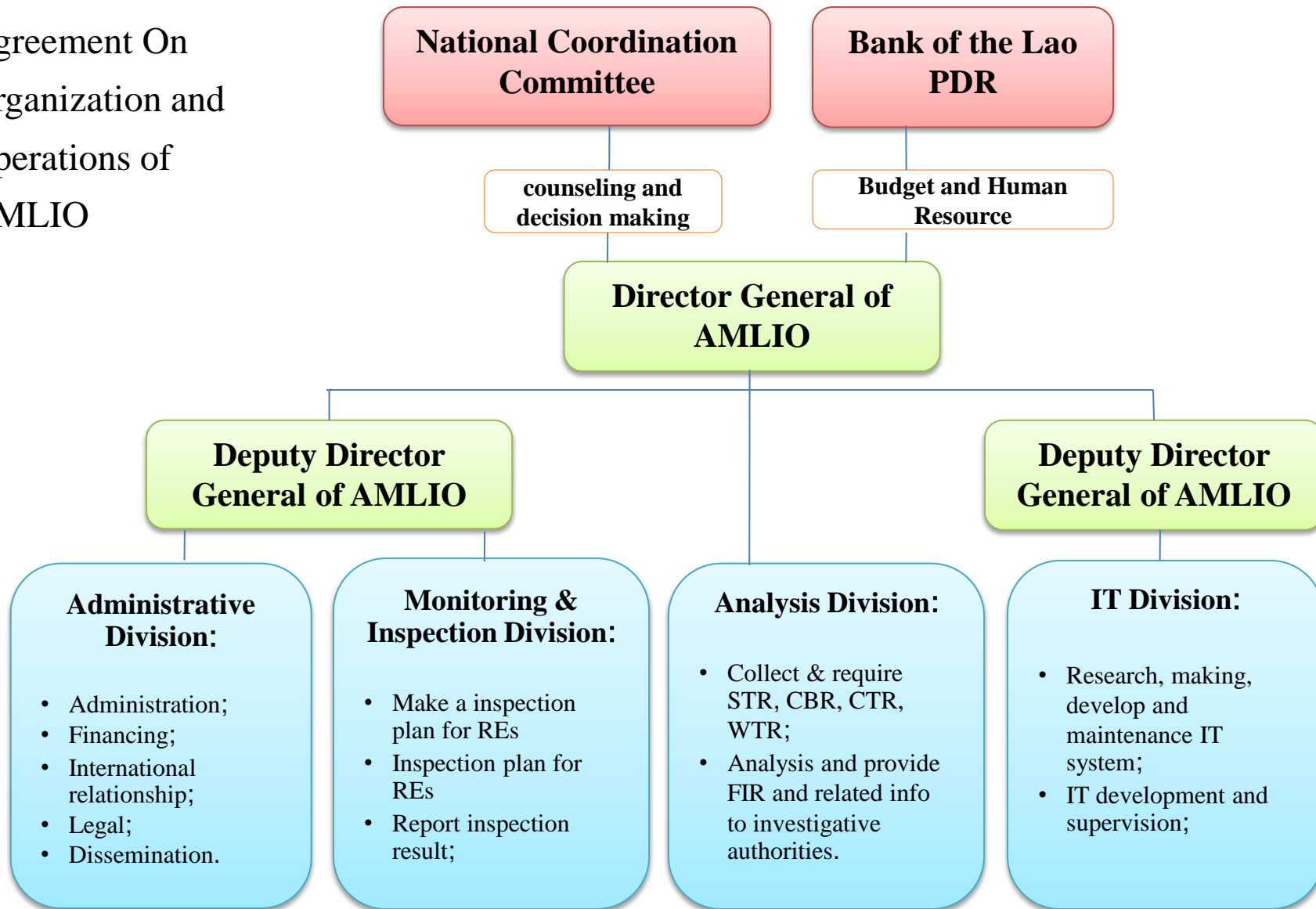
1. Vice-Prime Minister
2. Governor of Bank of the Lao PDR
3. Deputy-Minister of Public Security
4. Deputy-Minister of Finance
5. Deputy-Minister of Justice
6. Deputy-Minister of Foreign Affairs
7. Deputy-Minister of Industry and Commerce
8. Deputy-Minister of Prime Minister's Office
9. Vice-President of the People's Supreme Courter
10. Vice-President of the People's Supreme Prosecutor
11. Vice-President of State Audit Organization
12. Deputy Governor of Bank of the Lao PDR
13. Director General of Department of Public Security
14. Chairman of Lao Committee on Drug Control
15. Director General of AMLIO

Chairman
Vice-chairman
Vice-chairman
members
members
member
member
member
member
member
member
member
member
member
member

Secretary of NCC, member

I. Overview (cont.)

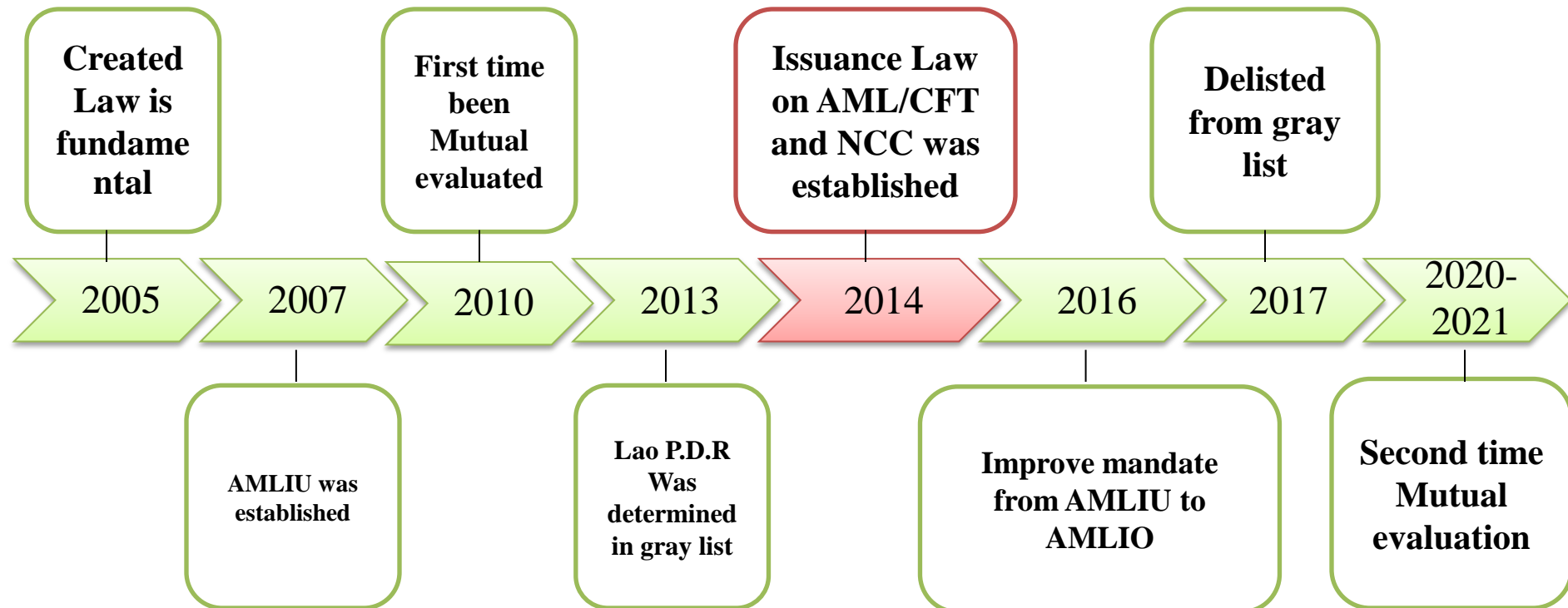
Agreement On
Organization and
Operations of
AMLIO





I. Overview (cont.)

Anti-Money Laundering and Counter Financing Terrorism (AML/CFT) of Lao P.D.R



Between 2014-2019 Issuance of AML/CFT for action plan on addressing deficiencies Included 30 issues such as: 01 penal code, 01 law, 02 decrees, 03 orders , 17 agreements, 05 instructions and 01 regulation **approval in May 2017 and promulgate in 2018.**



NRA outcomes



Sectorial risks

Terrorist Financing

Action plan

- 11



II. Rights and Obligations of reporting entities

1. Developing AML/CFT Programme
2. Implementing risk assessment and risk based management principles;
3. Implementing Know Your Customer measures;
4. Enhancing Customer Due Diligence measures;
5. Gathering detailed information on customers;
6. Gathering information about customers' transactions;
7. Dealing with PEPs;
8. Dealing with corresponding banks;
9. Collecting data on wire transfer;
10. Maintaining records;
11. Postponing transactions;
12. Reporting;
13. Reporting suspicious transactions;
14. Maintaining reporting confidentiality.



II. Rights and Obligations of reporting entities (cont.)

❖ AML/CFT Programme Development

The reporting entities must develop and implement AML/CFT programmes as follow:

1. Developing AML/CFT policies and procedures, and internally auditing the qualified staff selection procedure;
2. Developing AML/CFT training programs, and undertaking on-going training for staffs;
3. Internally auditing the implementation of this Law and other related laws and regulations;
4. Evaluating their AML/CFT efforts;
5. Appoint the compliance officer for coordinate with AMLIO.



II. Rights and Obligations of reporting entities (cont.)

❖ Implementing risk assessment and risk based management principles

The reporting entities shall implement risk assessment and risk-based management principles on money laundering and financing of terrorism by determining, assessing, monitoring and mitigating such risks as following:

1. Risk base on customers;
2. Risk base on Products;
3. Risk base on geography;
4. Risk base on services channels.

II. Rights and Obligations of reporting entities (cont.)

❖ Know Your Customer Measures

Know Your Customer Measures is

1. Collection of information and evidence or documents which verifies the identity of the customers;
2. Checking Verification of identity customer's document and Record-keeping.

Person	Legal Person
<ol style="list-style-type: none">1. ID Card or census book2. Residency certificate3. Passport (for foreign)4. Etc.....	<ol style="list-style-type: none">1. Name of the legal person and Office address;2. Business operation certificate3. Enterprise registration license4. Investment permit certificate (for foreign)5. Etc.....



II. Rights and Obligations of reporting entities (cont.)

❖ Enhancing Customer Due Diligence Measures

The reporting entities must apply CDD measures to customers for the following cases

1. Provide services or undertaking transactions for new customers;
2. The transactions are complex, of high value, and show irregular characteristics;
3. The information identifying customers is not complete or suspected to be incorrect;
4. The reporting entities must pay special attention on business dealings or transactions with natural persons, legal persons or organisations in a country where law on AML/CFT does not exist or exists but the enforcement of the law is not strict.



II. Rights and Obligations of reporting entities (cont.)

❖ Collection of detailed data on customers

The reporting entities must collect, prove and verify the data on natural person and legal person customers such as:

Person	Legal Person
1. Names and surnames	1. Names and addresses of companies
2. Dates of birth	2. The identification document of directors
3. Nationalities	3. Detailed information about shareholders
4. Addresses and occupations of customers	4. Business operations and sizes
5. Etc.....	5. Etc.....

In case of failure to collect detailed data on customers reporting entity must cease its services provided to or any business relations with that customer and must regard as suspicious transaction and then report it to AMLIO as defined in article 30 and 31 of this Law



II. Rights and Obligations of reporting entities (cont.)

❖ Data Collection on customers' transactions

The reporting entities must collect data like:

1. Customers' goals and objectives in using the services provided by or establishing business relations with their institutes;
2. Must find out whether their customers' business relations are for themselves or on behalf of others in order to find the real beneficiaries such as, owners of funds.



II. Rights and Obligations of reporting entities (cont.)

❖ Dealings with PEPs

The reporting entities must have an appropriate risk management system to find out whether customers or beneficiaries are PEPs like:

1. Report to their board of directors or their senior executives officers to request for permission to initiate or continue transactions with such customers;
2. Take appropriate measures to identify sources of funds or properties;
3. Monitor such customers` business relations and transactions continually.



II. Rights and Obligations of reporting entities (cont.)

❖ Dealings with corresponding banks

Financial institutions which maintain business relations or other similar relations with corresponding banks shall act as follow:

1. Gather data on the nature of business operation of a corresponding bank;
2. Assess the creditability, management and audit of a corresponding bank based on the disclosed information;
3. Assess the implementation of AML/CFT of a corresponding bank;



In each service of wire transfer's must gather and check the information and must ensure that the information are correctly and completely recorded before further delivery to a beneficiary.

In case a financial institution receives a transfer with no information or missing information on a transferor, it has to check and find the missing information from a transferring institute or a beneficiary. If the information is not provided, a financial institution receiving the transfer shall refuse the payment to a beneficiary and transfer the money back to a transferring financial institution and immediately report the case to AMLIO.



The reporting entities shall carefully maintain records on customers, documents on business relations and transactions of customers for further supply to AMLIO and other concerned organisations including:

1. Make copies identification documents of customers and beneficiaries of each transaction and keep them for at least ten years after the end of business relations with the customers;
2. Records on the transactions undertaken by customers shall be kept for at least five years from the date of transaction undertaking.



II. Rights and Obligations of reporting entities (cont.)

❖ Transaction deferral

When it is suspected that the customers' transactions are acts of ML or FT, the reporting entities must postpone the transactions for three working days and then report the cases to AMLIO for consideration.

❖ Reporting

The reporting entities must report to AMLIO in case a customer request to do the following transactions:

1. Cash Transaction more than a threshold;
2. Wire Transfer more than a threshold;
3. Other transactions as defined by AMLIO.



II. Rights and Obligations of reporting entities (cont.)

❖ Suspicious transaction report

Suspicious transaction report mean transactions that do not conform with the profile, occupation, and reality status of customers by comparing indicators as following:

1. The transfer or deposit by many people into one account without sufficient reason;
2. Cash transactions which seem to evade transaction reporting for values in excess of limits that the AMLIO issues;
3. The remaining balance of an account increases which is not in accordance with real transactions and there is a transfer of this balance to a foreign bank account;
4. Etc.....

Reporting entities shall report such transaction to AMLIO within three working days (According to the form) This reporting requirement extends to a customer`s attempt of transaction regardless of completion status and amount of money involved.



II. Rights and Obligations of reporting entities (cont.)

❖ Confidentiality

1. The management and staffs of the reporting entities shall maintain a confidentiality of transaction report in suspicious of money laundering or financing of terrorism or other information reported to AMLIO.
2. A clause on maintaining customers' confidentiality by the reporting entities as defined in their internal regulation or agreement shall comply with this law.
3. The management and staffs of the reporting entities will not be disciplined or prosecuted on the ground of disclosing customers' secrets, if the reporting or the provision of such information is done with good faith and in compliance with this law, and will not be held liable for any wrongdoing.



Measures in case not implementation rights and obligations of reporting entities

- ❖ Law on Anti Money Laundering and Counter Financing of Terrorism No 50/NA dated 21 July 2014.
- ❖ Decision on Administrative Measures Violated Regulation and Law on AML/CFT No 09/NCC dated 30 March 2016.

Q & A





ANTI- MONEY LAUNDERING INTELLIGENCE OFFICE (AMLIO)

BANK OF THE LAO PDR

Tel: 021 264624

Fax: 021 265320

WWW.AMLIO.GOV.LA



Risk Based Approach on Anti Money Laundering and Counter Financing Terrorism

Present by: Anti-Money Laundering Intelligence Office (AMLIO)



I. Objectives and Scope for Risk Based Approach On AML/CFT

Objectives is used to evaluate the reporting units responsible for implementing the work of anti-money laundering and counter-financing of terrorism, with the aim of evaluating and assessing the implementation of the reporting units that are adequate, tighter and consistent with relevant legislation with effectiveness and reduce risk maybe happen in their sector.

Used for assessing the reporting units set out in Articles 7 and 8 of Article 8 of the Law on Anti-Money Laundering and Counter-Financing of Terrorism.



II. Contents on risk assessment, based on risk management principles for the work of AML/CFT

- **Assessment Principles:**

The risk assessment based on risk management principles for the work of anti-money laundering and counter-financing of terrorism are followed by two key factors that affect the assessment: **Inherent Risk Indicators** and **AML/CFT Control Indicators**.

- **Inherent Risk Indicators:**

Inherent Risk Factor is a risk factor that can occur on its own, which affects the risk on size and volume of the variable as follows:

1. Size:

- Registered capital for establishment;
- Total assets (fixed and working assets);
- Number of customers for services;
- Transaction number of service products and service units.



II. Contents on risk assessment, based on risk management principles for the work of AML/CFT (cont.)

2) Corporate Governance:

- Defining or establishing an internal operating plan;
- Appointment of data collection and reporting staff at each level;
- Establishment of a specific department or unit for data collection and reporting;
- Assigning to a specific department or unit to collect data and report directly to the Executive Board.

3) Clarity and Diversity of Ownership:

- Clear and disclosed shareholding structure;
- Identifying and disclosing the number of shares, shareholders and sources of capital that the shareholders provide for financing;
- Examining the sources of capital and criminal history of each shareholder;
- Disclosure of sources of capital to carry out business activities from time to time.



II. Contents on risk assessment, based on risk management principles for the work of AML/CFT (cont.)

4) Risk Appetite:

- Transactions with risky countries;
- Relationships with individuals or legal entities and countries identified in the UN List;
- There are transactions with clients or legal entities that do not take measures to prevent money laundering and terrorist financing, including domestic and international transactions.

5) High risk clients:

- Customer risk classification (low or high);
- Transactions to customers who are unable to provide information or provide factual information in accordance with their KYC / CDD measures;
- Service of clients who are or are related to a domestic or international crime group;
- Number of clients who use cash (including foreign currencies) to apply for services.



II. Contents on risk assessment, based on risk management principles for the work of AML/CFT (cont.)

6) High risk products/services (in terms of nature and complexity):

- Customer's transactions that are complex, high in amount, frequency of movement and variety of individuals involved;
- Transaction amount;
- Number of transactions that can be loaned;
- Causes of long-term non-recoverable debt;
- Number of deposit transactions;
- Number of withdraw transactions.

7) International operations and transactions

- Customer discovery rules: have sufficient information on the checks of the transferee and the beneficiary;
- Foreign banks as represented banks: the number of representative banks, the value of the transaction.



II. Contents on risk assessment, based on risk management principles for the work of AML/CFT (cont.)

- 8) High risk geographic location of operation domestic or international:
- Location of offices or branches of commercial banks in risk areas;
 - The Bank is in a risky country or AML / CFT account.
- 9) Reliance on third parties, agents, and remote processes (deliver channels):
- Agent identification rules and conditions to establish relationships with agents;
 - Number of products offered by the agent.



II. Contents on risk assessment, based on risk management principles for the work of AML/CFT (cont.)

■ AML/CFT Control Indicators:

AML/CFT Control indicators are factors that can reduce, prevent and control potential risks are represented by the following variables:

1) Management's commitment to the work of AML/CFT:

- AML / CFT Management Structure within the reporting unit: Senior management staff in AML / CFT work;
- Bank's internal policies and plans for AML / CFT work.

2) Understanding of ML/TF risks:

- Their own internal risk assessment;
- AML / CFT training materials: presentations, registration forms;
- Training: There is ongoing training, important topics, periodic exams and training sessions.



II. Contents on risk assessment, based on risk management principles for the work of AML/CFT (cont.)

3) Independence and Effectiveness of Compliance Function:

- Have internal unit for implementing the work of AML / CFT specifically;
- Effective coordination between reporting units and managers: provision of information, internal regulation, experienced staff and sufficient responsibility for such tasks.

4) Adequacy of the AML/CFT Policy and Procedures:

- AML / CFT Internal Rules: There are specific regulations on the work of AML / CFT within the rights and obligations of the reporting entities under Article 18 of the AML / CFT Law No. 50 / NA, dated 21 July 2014;
- Developing specific policies, procedures, and work plans related to AML / CFT tasks.



II. Contents on risk assessment, based on risk management principles for the work of AML/CFT (cont.)

5) Effectiveness of KYC/CDD:

- Rules of Know Your Customer (KYC): Collection of information and evidents or documents of both the client and the legal entity to verify the identity of the customer, such as: Name and Surname, ID, name of legal entity, office address, enterprise registration copy and so on, necessary and be able to authenticate;
- Rule of CDD: Continuing customer service to ensure that the information previously provided by the client is currently accurate; Increase attention to paid customer service for individuals with political status.

6) Effectiveness of Monitoring (including MIS):

- The rules and mechanism for AML / CFT implementation in order to ensure real implementation in each period.



II. Contents on risk assessment, based on risk management principles for the work of AML/CFT (cont.)

7) Effectiveness of STR Analysis and Reporting:

- Reporting: Internal reporting requirements are set; Completeness of the reporting form; The period of reporting; Responsible Employee Mechanism;
- Suspicious Transaction Reporting: Internal Management Process that is at the Head Office's Responsibility; Completeness of the reporting form; The mechanics of the staff involved;
- Continuous monitoring;
- Confidentiality of reporting;
- Other rules that the Bank may set out to provide for more effective analysis and reporting of transactions.

8) Effectiveness of Report Keeping:

- Collection of information on customer details;
- Collection of information on customer transactions;
- Collection information on money transfer;
- Keeping of information.

9) Effectiveness of Internal Audit:

- Internal controls: Inspect, evaluate, review policies, rules and operating manuals, as well as control the effectiveness of them.

10) Effectiveness of Training Activities:

- Continuing to formulate ongoing AML / CFT training for own staff.

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