

BANQUE POUR LE COMMERCE EXTERIEUR LAO PUBLIC

Report on AML/CFT Implementation, 2019

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I. Implementation of AML/CFT by BCEL in 2019**1. Organizational Structure and Human Resource****1.1 Organizational Structure**

The Banque Pour Le Commerce Extérieur Lao Public (BCEL) assigns human resource to comply with legislation requirement by assigning a deputy managing director to chair the BCEL committee for AML/CFT to oversee the general supervision on AML/CFT. The director of the division of risk management and director of the division of AML/CFT are assigned as deputy chairs of the committee and the section of AML is assigned as an assistant to the committee and specifically tasked in AML/CFT.

There are 10 staff directly responsible for AML/CFT activities, namely the Managing Director and Deputy Managing Director, directors division of risk management and division of AML/CFT respectively, head and deputy head of the section of AML/CFT and 4 technical staff of the section of AML/CFT (details have been included in the report submitted to AMLIO, No. 302/BCEL, dated 18 November 2019).

1.2 Capacity strengthening for human resource of BCEL through training/workshop on AML/CFT

Location	Details
At BCEL and within the country	<ul style="list-style-type: none">- Participated in training on “AMK Governance and Policy” in collaboration with ACAMS company, at BCEL Head Office, on 11 February 2019;- Participated in workshop on AML/CFT at the Lao-Viet Bank, on 8 July 2019;- Participated in training on “Risk Management related to investment and financial institutions in Lao PDR”, on 23 May 2019;- Participated in training on “Implementation in risk based approaches in AML/CFT of Lao PDR for financial institutions and non-financial institutions” on 29 May 2019;- Participated in training on “Professional Public Presentation Skills”, at BCEL Head Office, on 28-29 October 2019 for organizing workshop on AML/CFT for a wide range of staff of BCEL.
Overseas Training	<ul style="list-style-type: none">- Participated in “Risk Management and Compliance Seminar”, organized by Well Fargo Bank, in Thailand, 10-15 June 2019;- Participated in a Seminar organized by ACAMS Company in Germany, 23-24 July 2019;- Participated in “Financial Crime Risk and Global Payment Seminar” organized by Well Fargo Bank, in Thailand, 7 November 2019.

2. Enhancing the understanding among BCEL staff in AML/CFT**2.1 Testing on knowledge and understanding of staff on AML/CFT and MoneyGram in in the wide arrange of organization, 2019**

The total number staff participating in the test was 1,337 and the test results are as follows:

- Score range of 50%-100% is for “passed”
- Score below 50% is for “failed”

Testing Criteria	Test Result
50%-100% “passed”	1,322 staff
0% - 49% “failed”	15 staff, or 1.12% of total participating in the test
Total	1,337 staff

For those who have not passed the test, they have to participate the training on AML/CFT again even though they were trained before and their line managers have to coach them as on-the job-training to ensure that they are capable and understand better about AML/CFT works. In addition, they have to take part in the test in the next annual test.

2.2 Training on AML/CFT for staff in the whole system

No.	Date	Venue	Resource Person	Number	Target Participants
1	11 February 2019	Vientiane	Expert from ACAMS	46	Management levels: divisional directors, branch directors, departmental directors, Executive Directors, BoD members
2	7 Sept 2019 (morning)	Vientiane	BCEL - HQ	115	Branches in: Xayabouly, Vientiane Capital, Luang Prabang, Vang Vieng, Dongdok, Xaysettha
3	7 Sept 2019 (afternoon)	Vientiane	BCEL - HQ	117	Divisions / centers reporting to HQ, including divisions of VIP customer service, fund management, credit, sales, internal audit, admin /finance, legislation, research and development, marketing, general accounting, service centers, IT units and card center.

4	12 October 2019	Xiengkhouang	BCEL Branch	40	Xiengkhouang and Houaphanh branches
5	19 October 2019	Oudomxay	BCEL Branch	47	Oudomxay, Bokeo, Luang Namtha and Phongsaly Branches
6	9 November 2019	Savannakhet	BCEL Branch	77	Savannakhet, Bolikhamxay, Khammouane Branches
7	16 November 2019	Saravan	BCEL Branch	46	Champasack, Saravan, Sekong and Attapu Branches

3. Reporting and Information Supply

No.	Details	Quantity
1	Reports of STR to AMLIO	108 copies
2	Reports of transactions of 100 million LAK or more to AMLIO on monthly basis	252.225 items
3	Sending of information to AMLIO	22 copies (100%)
4	Report to Department of Payment Settlement in case of Cryptocurrency	1 Copy (100%)

4. AML/CFT implementation and internal regulation compliance monitoring within BCEL

4.1 Law enforcement on the law on AML/CFT, No. 50/NA, dated 21 July 2014

BCEL is implementing articles 18-32 of the law on AML/CFT, No. 50/NA, dated 21 July 2014 on regular basis:

- **Program creation:** an annual program is established including the formulation of policy, regulations and operational procedures, organizing trainings on AML/CFT and human resource development plans;
- **Risk assessment and management:** BCEL includes risk management works on AML/CFT in the AML/CFT policies and regulations with details of the risks of customers and service products in four risk levels: (1) serious risk (customers who have this risk must be refused for all types of transactions); (2) high risk; (3) medium risk; and (4) low risk. There are detailed procedures to deal with each type of customers with different risk levels, such as steps to identify customers and to review the customers' profiles depending on different cases;
- **Knowing Your Customers:** BCEL collects information on customers who are individuals or entities as prescribed in article 10 of the regulation on AML/CFT (revised), No. 20/BCEL.2018, dated 4 July 2018. A specific manual has been

established for reviewing of customers which can be used for implementation of activities (a manual for finding of customer information, no. 718, dated 25 May 2018);

- **Enhancing customer service:** BCEL spends more efforts in taking care of customers by following the guidelines on knowing your customers (KYC/CDD), monitoring behaviors and transactions of customers, such as objectives of transactions, current status of customers' income, in-flow and out-flow money through customers' accounts and other necessary information;
- **Collect information on customers:** On regular basis, BCEL collects information on individual customers, such as name, date of birth, nationality, current address, ID supporting documents (ID card or family registration book or passport), profession, and work place. Information on customers who are legal entities, such as entity's name, address, contact details, copy of business license, tax registration certificate, certificate of person doing account transaction work, relationship between bank account owner and person doing account transaction, co-signing persons and income of legal entity or company;
- **Information collection on customers' transactions:** BCEL collects information of customers, namely as name, surname, address, ID supporting documents (ID card or family registration book or passport), profession, or types of business. There is also information collection on customers' transactions, such as purposes of transactions, owner of transaction, on behalf of whom is the transaction being done (slips of deposit, withdrawal, transfer and other supporting documents);
- **Relationship with individuals who are politicians:** BCEL has a risk management system to identify customers whether the beneficiaries are persons with political power. Currently, the system is able to keep records of individuals who have political power (Tonbeller System) in Siron KYC Module so that the frontline staff know information of customers before opening a new account or conducting any transactions to find out whether the customers are persons with political power or not;
- **Relations with intermediary banks:** Before set up business relations with other financial institutions, researches in depth are conducted to find information of those financial institutions or banks, and they are also directly approached to request for details such as names of BoD members, managing directors, shareholders, business license issued by relevant authorities in countries where the banks or financial institutions are established, regulations concerned and supervision agencies, AML/CFT regulations or standards, annual audit reports, US Patriot Act Certification, FATCA Certificate, Wolfsburg Questionnaires. Apart from this BCEL also reviews the status of intermediary and representative banks on AML/CFT activities, and other banks which have business relations on annual basis;
- **Collect information on money transfer:** BCEL collects information on money transfer, such as senders, person who orders the transfer, and receiver at final

destination (name, address, account number, purpose and other information related to each transfer) including domestic and overseas transferring products, such as Swift, MoneyGram, SpeedSend and among others;

- **Keeping of information:** BCEL keeps information on customers at least 10 years as from the date the relationship with the customer is ended and documents in the form of hard copies (transaction forms) are kept at least 5 years as from the date of completion of transaction;
- **Postponement of transaction:** In case BCEL finds any transaction suspicious of money laundering or embezzlement, BCEL will postpone the transaction within 3 official working days. This practice is to compliance with article 55 of the regulation on AML/CFT, revised version, No. 020/BCEL.2018, dated July 4, 2018. Within the said 3 days, BCEL conducts an in-depth study by collecting information concerning the customer in question and purpose of transaction to analyze the case in more detail. If any transaction is found to be suspicious, a report is prepared and sent to the AMLIO;
- **Confidential information of report:** BCEL delegates the task to its AML division to receive reports from the centers, branches and internal divisions within BCEL. Staffs who are responsible for information must keep the confidentiality of any information obtained from the reports and they shall not disclose any information to other persons who are not concerned with the work. Apart from this, all staffs ranking from technical to management levels must maintain confidential information related to suspicious cases while performing their duties or during the course of sending the reports to AMLIO. BCEL keeps information in the form of soft copies through information collection system of its AML section. Persons who are entitled to access to information systems are those whose works are related and they are given the passwords and user names. Information in hard copies is kept safely in the form of paper files and properly locked with keys given to staffs with specific responsibilities;

4.2 Monitoring of duties performed by BCEL staffs and agents

- AML committee at the branch level, divisions / centers of BCEL (service center, large customer service division, warehouse division, fund management and credit divisions) are obliged to report to AMLIO on AML implementation activities within their responsibilities on monthly basis;
- Evaluations are organized on AML/CFT implementation activities carried out by AML committee at the branch level and in the service centers and divisions within BCEL on quarterly basis;

4.3 Monitor Customers' Behaviors

- Monitoring of names of individuals, entities and organizations in relation to terrorism and terrorism financing;

BCEL uses the Tonbeller system to check and monitor the names of individuals, entities and organizations in relation to terrorism and terrorism financing. Apart from this, customer service staff as frontline persons have to take due diligent actions to monitor customers' behaviors and find out information about customers, and submit reports on suspicious cases to the risk management and AML division;

As for monitoring of credit customers, BCEL uses indicators on cases of suspicions. These indicators are used by credit products division, credit service division and credit management division to be reference in monitoring behaviors of customers. In case suspicious transactions are found which meet the indicators, the division concerned has to report to the risk management and AML division for further analysis. If the case is obviously found to be suspicion, a report is submitted to the management level for further reporting of suspicious transaction to AMLIO;

- Use of ICT systems to assist in customer monitoring on regular basis:

BCEL has a modern IT system for AML/CFT, which is called Tonbeller. It has 5 functions as follows:

- Use of Siron Embargo module, which is used to track overseas transfers in order to protect the bank not to be the tools of Black Lists and Sanction Lists of UN, EU, OFAC, BOE, Individual Lists;
- Use of Siron KYC to check information before establishing a relationship with customers and before providing services with customers who do not have bank accounts (Walk-in-Customers) and search for the names recorded in the Black Lists;
- Use of Siron AML to check indicators of customers' transactions and keep track of transactions based on the criterion as set by the bank;
- Use of Siron AML Analysis to analyze customer transactions using information given the warning system each day resulting from the use of indicators installed in Siron AML module;
- Use of KYC module to classify customers in different risk levels before opening of new accounts and search for the names in the Black List.

5. Legislations

No.	Details
1	Create training / seminar documents for staff at all levels of BCEL;
2	Review indicators in AML system to be applicable with actual situations of customers transactions in 2019;
3	Review and improve legislations related to AML/CFT and MoneyGram in 2019;
4	Improve the Siron KYC guidelines (revised) and the use of guidelines on Risk Ranking;
5	Issuing of Notifications to staff at all levels of BCEL to be vigilant to customers handling money in cash;
6	Issuing of Notifications to staff at all levels of BCEL to be vigilant to customers handling transactions related with counterfeit notes, proceeds of robbery, customers with inappropriate behaviors, records of illegality cases and records of illegal foreign money exchange;
7	Design STR forms to be used by staff of BCEL and its branch offices to facilitate the reporting of cases to AML section of BCEL.

II. Action Plan for 2020**1. Organization and Human resource**

No.	Details
1	Send 3 staffs to study and take exams to obtain a certificate in certified Anti-money Laundering Specialist from ACAMS International;
2	Send 1staff to study and take exams to obtain a certificate in ACAMS Advanced AML Audit Certificate in Australia
3	Send 1staff to study and take exams to obtain a certificate in ACAMS Advanced AML Risk Management
4	Participate in domestic and overseas training on AML/CFT following invitations from relevant agencies;
5	Participate in domestic and overseas meetings on AML/CFT following invitations from relevant agencies;
6	Upgrade the AML section to become AML Division directly reporting to Managing Director.
7	Establish a transaction analysis section related to AML/CFT (new section);
8	Increase technical staff;
9	Increase management staff to transaction analysis section (head of transaction analysis section, 1 position and deputy head of transaction analysis section, 1 position).

2. Enhance understanding of staff on AML/CFT activities implementation

No.	Details of Tasks to be Carried Out
1	Examinations to test knowledge and understanding in the whole system on AML/CFT and MoneyGram in 2020;
2	Seminars on AML/CFT in the whole BCEL organizational structure;
3	Training for MoneyGram agents and BECOME agents in collaboration with relevant divisions within BCEL. Training can also be organized in response to risk behaviors of the agents and as recommended by MoneyGram Company.

2. Reporting and Information Sharing

No.	Details of Tasks to be Carried Out
1	Review, monitor and analyze information for reporting of STR to AMLIO;
2	Reports of transactions with amounts higher than 100 million LAK to AMLIO on monthly basis;
3	Response to questions on KYC/CDD and supply information to overseas agents following requests from relevant bodies.

4. Compliance monitoring within BCEL

No.	Details of Tasks to be Carried Out
1	Compliance with articles 18-32 of the Law on AML/CFT, No. 50/NA, dated July 21, 2014 in strict and effective manners;
2	Inspect and monitor activities of MoneyGram Agents and BECOME Agents;
3	Evaluate the performance on AML/CFT carried out by AML committees at the branch level, centers and service divisions within BCEL on quarterly basis.

5. Legislation

No.	Details of Tasks to be Carried Out
1	Develop seminar documents for staff in the whole organization structure of BCEL;
2	Review indicators in AML system to meet with reality concerning customer transactions;
3	Review and improve legislations related to AML/CFT and MoneyGram to ensure the compliance with local and international laws and regulations.

III. Recommendations of BCEL to AMLIO

In order to ensure effectiveness in implementing AML/CFT activities, BCEL has the following proposals:

1. Need assistance in problem solving, namely : government bodies have issued stay permits for foreign individuals with information not matching with their actual activities and movements, in particular individuals whose nationality are Vietnamese and Chinese;
2. Researches need to be conducted to see the possibility to require Lao nationals who are 18 years old and older to hold ID cards, which the only one identity card each person must have (it can be green or other colors officially seen as appropriate) to certify the identity of a person. There must be only one system of personal identification throughout the country. Other identity papers should not be seen as valid to certify the existence of persons to deal with banking transactions, for instance, passport, family registration book, military identification card, government staff identification card. In addition, there should be an effective system for consolidation of personal identification cards to capture comprehensive information and to have the function that can connect to banking system in order to ensure functionality of KYC and CDD tools that will be enabling facilities for accurate and effective reporting functions;
3. There should be workshops to share knowledge and new experience on AML/CFT for learning of reporting units on regular basis or at least 1 – 2 times a year. This can be the opportunity for the reporting units to gain lessons and new experience on AML/CFT from management levels in the work areas related to AML/CFT in Lao PDR;
4. There should be monitoring of actions to be taken after releasing notifications or introduction of guidelines by AMLIO in strict manners. For example, the notification requiring additional information on purpose of domestic transfer. There should be appropriate measures against the work units that cannot fulfill their tasks. By doing so, AML/CFT can be enhanced and thus ensuring consistency throughout the system of commercial banks;
5. Enhancing of gap study and establishing of necessary legislations for implementation of AML/CFT related activities of Lao PDR in more strict manners. This can provide reference for duty execution by financial institutions;
6. Concerning freezing or cancellation of customers' accounts, AMLIO should provide telephone numbers of contact persons of the competent authority. To ensure effectiveness, the competent authority may issue 2 copies of notification with the first copy being sent to AMLIO and the second copy being sent to BCEL in order to freeze any bank accounts concerned. This approach can assure the bank to have reference for citation precisely in case of freezing of customers' bank account and this can reduce complaints from customers concerned.

Managing Director
[Signed and Sealed]
Phoukong Chanthachack