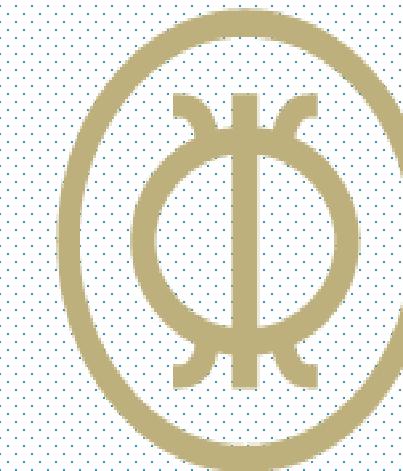


MODULE - 2

ANTI-MONEY LAUNDERING AND
PROLIFERATION FINANCING



**SALMAN
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DBG Development
Bank
Ghana

INTRODUCTION

The Bank of Ghana introduced the revised Guidelines on Anti-Money Laundering/ Combating the Financing of Terrorism and the Proliferation of Weapons of Mass Destruction for Accountable Institutions in December 2022.

The guideline makes it mandatory for Directors to be trained in Money Laundering and Proliferation in Money Laundering/ Proliferation Financing (ML/PF) activities.

Specifically, Section 5, Subsection 2.3.2 defines the role of the Board.

The regulatory posture for Directors to be aware or reminded and ensure that their institutions are complying with the requirements of Act 1044 is in keeping with Section 52 and 61 of the Anti-money Laundering Act, 2020 (Act 1044) and Section 84 (2) (a)(ix) of the Development Financing Institutions Act, 2020, Act 1032.



ROLE OF THE BOARD

The primary role of the Board is to ensure the effective implementation of AML/CFT&P compliance programme.

This responsibility aligns with the Corporate Governance Directive 2018. Section 13 (b)(ii) of the Corporate Governance Directive 2018 requires the Board to oversee the formulation and implementation of policies for risk, risk management and compliance, including anti-money laundering and combating the financing of terrorism (AML/CFT) and

The Board is expected to ensure that there is a documented evidence of its oversight function, for example in the minutes of meetings of the Boards (OR Committees of the Board notably the Credit Committee, and the Reputation Committee).

In addition, Section 2.3.2(vi) requires the Board to receive the requisite training on AML/CFT&P generally as well as on the institutions specific CFT&P risks and controls at least once a year.



OVERVIEW OF GENERAL TRAINING FOR THE BOARD

The general training on AML/CFT&P covers the definitions and concepts including the processes of placement, layering, delayering or integration to achieve the process of money laundering.

In the case of financing of terrorism and proliferation financing the key control is the prevention of some specific actors from accessing the Banks operating platform directly or indirectly.

Such preventive measures can be linked to type of businesses, like casinos, geography like Columbia, personalities linked to civil wars in their countries and politically some Embassies due to the geopolitical roles and associated sanctions that might have been imposed on the Country and its institutional affiliates.



OVERVIEW OF GENERAL TRAINING ON AML/CFT& P FOR THE BOARD

Practically Development Bank Ghana (DBG) has already developed standard policies and procedures, AMLRO is already in place and the Compliance Function do generate regular reports, based compliance testing and self- identified instances of non-compliance if any. In short AML/CFT/P remains a standing issue in many Board Engagements.

This is because the provision of recent significant risks events and their potential impact on the Bank, and Statutory report to the Financial Intelligence Centre(FIC) continues to be a routine activity of Corporate Governance and Regulatory Conformance.



WHY AML/ PF DOES THIS MATTER

1

Serious consequences for non-compliance:

2

Enforcement actions

3

Civil Money Penalties (CMPs)

4

Bank charter revocation

HOW MONEY LAUNDERING CAN OCCUR

Insider Collusion: Employees within PFIs may collude with money launderers to bypass AML controls or facilitate illicit transactions. Insider collusion can involve falsifying records, providing preferential treatment to certain clients, or turning a blind eye to suspicious activities.



HOW MONEY LAUNDERING CAN OCCUR

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Use of Shell Companies: Money launderers may set up shell companies or front businesses to disguise the origin of illicit funds. PFIs could unknowingly provide financial services to these entities without conducting adequate scrutiny of their activities, enabling money laundering through transactions involving shell companies.

Third-Party Risk: Development banks may engage third-party intermediaries, such as fundraising agents or consultants, to assist in raising funds. There is a risk that these intermediaries may not adequately vet investors or may be involved in illicit financial activities themselves, posing AML risks to the fundraising process.



How to Mitigate Money Laundering Risk

To mitigate the risk of money laundering occurring at PFIs in collaboration with DBG, it's essential for both parties to implement effective AML measures. This includes conducting thorough customer due diligence, implementing transaction monitoring systems, providing staff training on AML compliance, and fostering a culture of vigilance against financial crime. Additionally, regular audits and assessments of AML procedures can help identify and address any vulnerabilities in the system. Collaboration between DBG, PFIs, and regulatory authorities is crucial for ensuring the integrity of the financial system and combating money laundering effectively.

Collaboration and Information Sharing: PFIs should collaborate with DBG and other financial institutions to share information and intelligence on emerging money laundering threats. This can help identify trends and patterns indicative of money laundering activities and strengthen the overall AML framework.

SPECIFIC EMERGING AND CONTINUING AML/CFT/P TRAINING –AN OVERVIEW

The focus of this programme is to remind Directors of their continuing obligations and the challenges DBG will continue to face in dealing with the area of Money Laundering/ Proliferation Financing (ML/PF).

It also deals with measures to be considered by the Board to sustain the correct climate established in the Bank and the current high degree of compliance given the need to outsource some of the Customer Due Diligence (CDD) processes to be carried out by either the PFIs or any acceptable institution on relation Funding and On-Lending to PFIS.

DEVELOPMENT FINANCING AND THE FUNDAMENTAL LAWS OF MONEY LAUNDERING

Out of the 10 fundamental laws of Money Laundering three(3) are of relevance to the Corporate Governance of DBG.

Law 1: the more successful a money laundering operation is in imitating the patterns and behaviour of legitimate transactions, the less likelihood of it being exposed.

Law 2: the more deeply embedded illegal activities, e.g. Illegal Mining, are within the legal economy and the less their institutional and financial separation, the more difficult it is to detect laundering.



DEVELOPMENT FINANCING AND THE FUNDAMENTAL LAWS OF MONEY LAUNDERING

Law 5: The more the business structure of production and distribution on non-financial goods and services is dominated by small and independent firms, the more difficult the job of separating legal from illegal transactions.

Law 5 aligns with the DBG's success in partnering with 6 universal banks to lend to MSME and small corporates.

This means that the Board (or Bank) has a fiduciary responsibility to protect its assets against potential misuse and ensuring that its own lending is not subjected to financial abuse, used to cover ML/FT, and corruption.

Given these operational vulnerabilities the Board should address these potential challenges to:

Conduct a focussed safeguards assessment in relation to lending and disbursement practices with a focus on the prevention of ML/FT activities and corruption.



DEVELOPMENT FINANCING AND THE FUNDAMENTAL LAWS OF MONEY LAUNDERING

Review the language currently used in loan and grant agreements and if required reformulate and strengthen the representations and covenants which the Bank typically includes in its legal documentation with a view of focussing more specifically on preventing fraudulent activities possibly related to ML/FT or corruption.

In the case of loans to Partner Banks for on-lending, looking at the contractual language that imposes a similar due diligence requirement on these private entities.

Strengthen internal controls and due diligence practices to safeguard bank funds, including considering the possibility of introducing an enhanced computerised –AML/CFT due diligence system, based on checklists or a 'red-flag' system.

Facilitate due diligence exercise in identifying transactions potentially involved in terrorist activities by ensuring broad access within the Bank to an up-to-date CFT checklist (possibly by subscribing to the services of a provider such as World-Check, as business background and intelligence screening service).

Review the Bank's whistle blower policy and define roles the Bank's Anti-Corruption and Fraud Investigation Department or Unit and the Oversight Committee on Corruption and Fraud (OCCF) in relation to ML/FT and define clear procedures for investigating and reporting on investigations. This re-enforces the need for need to enhance the Ethics and Compliance Divisions with support from the Internal Audit Function.



IMPLEMENTATION OF AML/CFT STANDARDS

The Board in keeping with Section 13 (b)(ii) should complement its existing efforts with the following:

Incorporate AML/CFT issues in policy dialogue with the PFI. This should include the Board challenging Management to ensure the combination of advocacy, dialogue, research and consultation in senior level consultative meetings and workshops.

Based on the stance of the Board, Management's participation in and organisation of conferences, seminars will be central to promote bank and counterparty-wide compliance to minimise the risks posed by ML/CFT related activities.

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IMPLEMENTATION

The Board should benchmark the satisfaction of the existing AML/CFT programme against the current Wolfsberg Group's Anti –Money Laundering Questionnaire (20230 from which 6 critical sections should be of interest to Development Financing Institutions.

The 3 Sections in the Questionnaire, relates to :

AML, CFT & Sanctions Programme	Anti-Bribery & Corruption (ABC)	AML, CFT & Sanctions Policies and Procedures	KYC, CDD and EDD	Training	Audit
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IMPLEMENTATION -AML, CFT& SANCTIONS PROGRAMME

DIRECTORS SHOULD BE SATISFIED WITH THE FOLLOWING IN DBG

1	Appointed AMLRO with sufficient experience/ expertise
2	Adverse information screening
3	Beneficial Screening
4	Customer Due Diligence(CDD)
5	Enhanced Due Diligence (EDD) for high-risk customers
6	Independent Testing
7	Periodic Review
8	PEP Screening
9	Risk Assessment
10	Sanctions
11	Suspicious Activity Reporting
12	Training and Education
13	Transaction Monitoring
14	Annual Approval of DBG's AML, CFT &Sanctions
15	Use of Third Parties and existence of an Approved Service Level Agreement (ASLA)
16	Approved Whistleblower Policy



IMPLEMENTATION - ANTI-BRIBERY AND CORRUPTION PROGRAMME

DIRECTORS SHOULD BE SATISFIED WITH THE FOLLOWING IN DBG

1	Documented Policies and Procedures consistent with applicable ABC Regulations and requirements to prevent, detect and report bribery and corruption.
2	Internal Audit Review of ABC
3	An independent Third -Party Cover for ABC
4	Provision of Mandatory ABC Training to : <ul style="list-style-type: none">- The Board and Senior Management Committee- 1st Line of Defence- 2nd Line of Defence- 3rd Line of Defence
5	Engagement of Consultants



IMPLEMENTATION - AML,CFT & SANCTIONS POLICIES AND PROCEDURES

DIRECTORS SHOULD BE SATISFIED WITH THE FOLLOWING IN DBG

1	Adequate to prevent, detect and report: -Money Laundering -Terrorist Financing -Sanctions Violations
2	Prohibition of Engagement of some Financial Institutions
3	Risk Relationship between Domestic Entities and Foreign PEPs
4	Processes regarding screening for sanctions, PEPs and Adverse Media/ Negative News
5	Definition and Approval by the Board of Risk Tolerance and risk boundary around businesses
6	Record Retention Procedures and Applicable Laws



IMPLEMENTATION -KYC, CDD AND EDD

DIRECTORS SHOULD BE SATISFIED WITH THE FOLLOWING IN DBG

1	PFI identification or Customer Identification
2	Expected Activity
3	Nature of Business
4	Ownership Structure
5	Product Usage
6	Purpose and Nature of Relationship
7	Source of Funds
8	Ultimate beneficial ownership
9	Authorised Signatories
10	Key Controllers
11	Other relevant parties
12	Existence of Risk –based Approach to screening customers and PEPs
13	Approved policies, procedures and processes to review and escalate potential matches from screening customers or partners and connected parties to determine whether they are PEPs or controlled by PEPs.
14	Trigger-based or perpetual monitoring reviews
15	EDD Assessment contain the elements set out in the Wolfsberg Correspondent Bank Principles 2022.



IMPLEMENTATION - TRAINING AND EDUCATION

DIRECTORS SHOULD BE SATISFIED WITH THE FOLLOWING IN DBG

1	<p>Mandatory Training which includes:</p> <ul style="list-style-type: none">-reporting of transactions to government , BOG and FIC-different forms of money laundering, terrorist financing and sanctions violations relevant to the types of products and services offered-internal control policies of AML/CFT- New issues that occur in the market; e.g. significant regulatory actions or new regulations
2	<p>Mandatory Training to:</p> <ul style="list-style-type: none">Board and Management; all the 3 Lines of DefenceConsultants



IMPLEMENTATION -AUDIT

DIRECTORS SHOULD BE SATISFIED WITH THE FOLLOWING IN DBG

1	<p>Existence of an Internal Audit Function</p> <ul style="list-style-type: none">-a testing function-or other an independent third party or both that assess:-Financial Crime Compliance (FCC)e.g. Tax Evasion- Anti-Money Laundering (AML)
2	<ul style="list-style-type: none">-Anti-Bribery and Corruption (ABC)-Fraud and Sanctions-Counter Terrorism Financing (CTF)

Adopted from The Wolfgang Group Financial Crime Compliance Questionnaire 2023.



SUMMARY

Sustaining AML/CFT&P practices require commitment on the part of the Board of DBG.

It is intensive in nature because of the need to satisfy both local and global standards. The Board's fiduciary role remains because AML/PF issues require actions or implementable issues for the entire Bank. AML/PF practices form an integral part of the Banks accountability and transparency mechanisms.

They are also central to the DBG's reputational risk management strategy and the Bank's long-term sustainability .





END OF PRESENTATION

Thank You