



Examination Guideline for AML/CFT Supervisory Authorities

Guideline No. 1 – 2015

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Acronyms

AML	Anti-Money Laundering
AMLCFT	Anti-Money Laundering & Countering and Financing of Terrorism
CFATF	Caribbean Financial Action Task Force
CFT	Countering the Financing of Terrorism
DNFBP	Designated Non-Financial Businesses or Professions
FATF	Financial Action Task Force
FI	Financial Institution
FIU	Financial Intelligence Unit
FT	Financing of Terrorism
ML	Money Laundering

FOREWORD

This guideline is for the Supervisors of entities referred to as Designated Non Financial Businesses or Professions (DNFBPs) but is applicable to all AML/CFT Supervisors.

The aim of this guideline is to provide guidance to supervisory authorities¹ for carrying out AML/CFT examinations of reporting entities² to ensure compliance with the Anti Money Laundering and Countering the Financing of Terrorism (AMLCFT) Act 2009, the AMLCFT Regulations 2010 and other subsidiary legislation.

The information in this guideline is intended to provide general policy direction only, and does not replace the AMLCFT Act, Regulations or other subsidiary legislation.

A supervisory authority and all employees involved in the supervision of a reporting entity must have a thorough knowledge of Guyana's AML/CFT legislative measures.

The guidance in this guideline is intended to help ensure policies and procedures regarding examinations are uniformly applied; that reporting entities understand the mandate and approach of a supervisory authority; and that employees maintain a high degree of professionalism by using experience, skills and communication in conducting examinations. The goal is a Compliance Programme that is — and is perceived to be — fair and equitable in its application.

Finally, this guideline includes some requirements currently not provided for in the AMLCFT Act (e.g. terrorist property reporting requirements), but are some of the obligations under the Financial Action Task Force.

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GUYANA

¹ Supervisory authority means a designated authority empowered by law with responsibilities aimed at ensuring compliance by reporting entities to combat money laundering and terrorist financing.

² Reporting entity means any person whose regular occupation or business is the carrying on of (a) any activity listed in the First Schedule of the AMLCFT Act; or (b) any other activity defined by the Minister of Finance in accordance with provisions of the AMLCFT Act.

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MANDATE AND LEGISLATIVE MEASURES

1.1 *Mandate*

The Financial Intelligence Unit (FIU) is established as an agency responsible for requesting, receiving, analyzing and disseminating suspicious transaction reports and other information relating to money laundering, terrorist financing or proceeds of crime.

Under the AMLCFT legislation reporting entities are required to submit reports to the FIU (see 1.4.3 below).

1.1.1 Compliance Mandate

An important element of the examination/supervision mandate is to ensure that reporting entities comply with the reporting, record keeping and customer identification and verification provisions under the AMLCFT legislation.

Compliance examinations are one way to ensure compliance.

1.2 *Legislative Measures to Ensure Compliance*

A supervisor authority is required to carry out supervision of compliance activities in accordance with the requirements of the AMLCFT legislation and the FATF Recommendations. To monitor and ensure compliance by reporting entities, with requirements to combat money laundering and terrorist financing, consistent with the AMLCFT legislation and FATF Recommendations, the supervisory authority has the power to:

- (a) enter into the business premises of a reporting entity during ordinary working hours in order to-
 - (i) inspect or take documents or make copies or extracts of information from such documents;
 - (ii) inspect premises; and
 - (iii) observe the manner in which certain functions are undertaken;
- (b) request and be given information relevant to money laundering and terrorist financing matters from its reporting entities; and
- (c) require any person on the premises to provide an explanation on any such information.

1.3 *Other Documents*

This guideline is to be used in conjunction with the documents titled *Compliance Policies and Procedures Guidelines*, and the *Compliance Risk Management Framework*.

1.4 *Reporting Entities' Obligations*

Any reference to a reporting entity's obligations in this guideline means obligations under the AMLCFT legislation. Presently, the Financial Action Task Force (FATF) recommends that the following entity sectors be covered under a country's legislative measures.

1.4.1 *Entity Sectors*

In accordance with the FATF Recommendations, entities are separated into financial institutions and designated non-financial businesses and professions. Guyana's AML/CFT Act (First Schedule) defines 'financial institutions' and 'designated non financial business or professions' as follows:

"Financial Institution" means any company or business that engages in any of the following activities-

- (a) acceptance of deposits and other repayable funds from the public, including, but not limited to, private banking;
- (b) lending, including, but not limited to, consumer credit, mortgage credit, factoring (with or without recourse), and financing of commercial transactions, including forfaiting;
- (c) financial leasing other than with respect to arrangements relating to consumer products;
- (d) the transfer of money or value;
- (e) issuing and managing means of payment, including, but not limited to, credit cards, travellers' cheques, money orders and bankers' drafts, and electronic money;
- (f) issuing financial guarantees and commitments;
- (g) trading in-
 - (i) money market instruments, including, but not limited to, cheques, bills, certificates of deposit and derivatives;
 - (ii) foreign exchange;
 - (iii) exchange, interest rate and index instruments;
 - (iv) transferable securities; and

- (v) commodity futures trading;
- (h) participating in and underwriting securities issues and the provision of financial services related to such issues;
- (i) individual and collective portfolio management;
- (j) safekeeping and administration of cash or liquid securities on behalf of other persons;
- (k) investing, administering or managing funds or money on behalf of other persons;
- (l) underwriting and placement of life insurance and other investment-related insurance, as well as insurance intermediation by agents and brokers; (m) money and currency changing; and
- (m) such other activity, business or operation as may be prescribed by the Minister responsible for Finance.

“Designated Non-financial Business or Profession” means any of the following-

- (a) casinos, betting shops or lotteries, including a person who carries on such a business through the internet, when their customers engage in financial transactions equal to or above five hundred thousand dollars or such lower amount as may be prescribed by the Minister responsible for Finance;
- (b) real estate agents, when they are involved in transactions for their client relating to the buying and selling of real estate and real estate brokers;
- (c) dealers in precious metals and dealers in precious and semi-precious stones, including, but not limited to those covered when they engage in any cash transaction with a customer equal to or above two million dollars or such lower amount as may be prescribed by the Minister responsible for Finance;
- (d) Attorneys-at-law, notaries, other independent legal professionals and accountants when they prepare for or carry out transactions for their client relating to the following activities-
 - (i) buying and selling of real estate;
 - (ii) managing of client money, securities or other assets;
 - (iii) management of bank, savings or securities accounts;
 - (iv) organisation of contributions for the creation, operation or management of companies; or
 - (v) creation, operation or management of legal persons or arrangements, and buying and selling of business entities;
- (e) a trust or company service provider not otherwise covered by this definition, which as a business, provide any of the following services to third parties-

- (i) formation or management of legal persons;
 - (ii) 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;
 - (iii) providing a registered office; business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement;
 - (iv) acting as (or arranging for another person to act as) a trustee of an express trust; or
 - (v) acting as (or arranging for another person to act as) a nominee shareholder for another person; and
- (f) such other business or profession as may be prescribed by the Minister responsible for Finance.

Every reporting entity must implement a compliance programme to meet reporting, record keeping and customer identification and verification obligations (see 1.4.2, 1.4.3 and 1.4.4 below).

1.4.2 Compliance Programme

In accordance with section 19 of the AMLCFT Act a reporting entity's compliance programme should include the following elements:

- (a) The appointment of a compliance officer;
- (b) The development of internal policies, procedures, controls and systems, including appropriate compliance management arrangements, and adequate screening procedures to ensure high standards when hiring employees;
- (c) An ongoing employee training programme; and
- (d) An audit function to test the system.

Since the nature of reporting entities businesses or operations sometimes differs, their compliance programmes can be tailored to suit their own circumstances and compliance risks. Compliance programmes should reflect the nature, size and complexity of each reporting entity's operations.

1.4.3 Types of Reports

1.4.3.1 All Reporting Entities

In accordance with the AMLCFT legislation and the FATF Recommendations, reporting entities are required to submit the following to the FIU:

- **Suspicious Transaction Report (STR)** also referred to as Suspicious Activity Report (SAR)
- **Currency Transaction Report (CTR)** also referred to as Large Cash Transactions Reports (LCTR) or threshold reports.
- **Terrorist Property Report (TPR)**
- **Wire Transfer/Electronic Funds Transfer (EFT) Reports**

1.4.4 Record Keeping and Customer Identification

Reporting entities are required to establish and maintain records of all transactions in accordance with section 16(3) of the AMLCFT Act.

2 COMPLIANCE PROGRAMME AND APPROACH

2.1 *Compliance Programme Key Functions*

AML/CFT Compliance programmes cover a broad range of functions, from helping reporting entities to understand their obligations, to examination and — where appropriate — the issuing of sanctions for breaches of obligations.

Key functions of AML/CFT supervisors compliance programmes could include:

- Policy Interpretation – providing interpretations of the AMLCFT legislation and FATF Recommendations;
- Reporting Entity Assistance – including education, presentations, one-on-one meetings and clarifications by telephone or e-mail;
- Risk Assessment – collecting and analyzing information to determine reporting entities that have the highest risk of non-compliance;
- Quality, Timing and Volume (QTV) – ensuring reports submitted are timely and of high quality;
- Examination – conducting examinations/verifications of a reporting entity to identify the level of compliance; and
- Sanctions.

The primary focus of this guideline is on the examination function.

2.2 *Cooperative Approach*

Supervisors should favour a cooperative, “no surprises” approach to ensuring compliance. It is believed that most reporting entities are making a sincere effort to comply with legislative measures. Supervisor’s actions must reflect this approach when conducting examinations.

Supervisors should be committed to working constructively with reporting entities to make sure they understand their obligations and to help them comply. In addition, compliance programme personnel may periodically provide reporting entities with feedback about the adequacy, completeness and timeliness of the information that reporting entities report.

When compliance issues are identified, FIU and supervisor personnel should work with a reporting entity to find reasonable solutions. If these efforts are still not successful, or if the reporting entity continues to be in non-compliance, the Supervisor may issue sanctions in accordance with section 23 of the AMLCFT Act 2009 and inform the FIU accordingly.

2.3 Risk Management Approach

Supervisors use a risk-based approach to ensuring compliance. Its *Compliance Risk Management Framework* integrates risk factors with a weighted assessment for each entity sector. This is used to assist in determining which reporting entities are selected for compliance examinations. A control group of randomly selected reporting entities is also selected for examination to validate the findings of the risk-based examinations.

3 PROFESSIONAL EXPECTATIONS OF SUPERVISORS

In all interactions with Supervisory Authorities or their representatives, reporting entities should be entitled to all of the following:

- Fair treatment — legislative measures are applied fairly and impartially.
- Courtesy and consideration — reporting entities are treated with courtesy, respect and consideration.
- Privacy and confidentiality — personal, transactional and financial information are protected against unauthorized use or disclosure.
- Information — reporting entities are entitled to complete, accurate and clear information about their obligations.

In addition, Supervisors should apply three basic principles (outlined below) in the course of conducting compliance examinations:

- Integrity;
- Objectivity; and
- Confidentiality.

Individual judgment is required in the application of these principles.

3.1 *Integrity*

Supervisors have a responsibility to conduct themselves in such a way that their good faith and integrity are not opened to question.

Supervisors should:

- perform their work with honesty, diligence and responsibility;
- observe the law and make disclosures expected by the law and the legislative measures;
- not knowingly be a party to any illegal activity or engage in acts that are discreditable to the Supervisors; and
- respect and contribute to the legitimate and ethical objectives of the Supervisors.

Integrity is important to establish a reporting entity's trust and confidence in Supervisors judgment.

3.2 Objectivity

Supervisors should exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the elements being examined. Supervisors should make a balanced assessment of all relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

Supervisors should:

- not participate in any activity or relationship that impairs or can be seen to impair their unbiased assessment;
- not accept anything that may impair or be presumed to impair their professional judgment; and
- disclose all material facts known to them that, if not disclosed, may distort the reporting of elements under examination.

3.3 Confidentiality/Protection of Privacy

Supervisors should respect the value and ownership of information they receive and should not disclose information without appropriate authority unless there is a legal obligation to do so.

Supervisors should:

- be prudent in the use and protection of information acquired in the course of their duties; and
- not use information for any personal gain or in any manner that is contrary to the law or detrimental to the legitimate and ethical objectives of the Supervisors.

3.4 Competency

Supervisors should apply the knowledge, skills and experience needed in the performance of examinations.

Supervisors should:

- engage only in those services for which they have the necessary knowledge, skills and experience;
- perform examinations in accordance with their obligations under section 22 of the AMLCFT Act; and
- continually improve their proficiency, effectiveness, and quality of their examination skills.

4 DISTINCTION BETWEEN A COMPLIANCE EXAMINATION, REPORTING ENTITY ASSISTANCE AND A CRIMINAL INVESTIGATION

4.1 *A Compliance Examination Is Not the Same as Entity Assistance*

Compliance examinations are a step beyond Reporting Entity Assistance. Before visiting the reporting entity's premises, the Supervisor must make it very clear to the reporting entity that the purpose of the visit is to conduct a compliance examination, not to provide on-site assistance. A clear statement clarifying that the Entity Assistance function is at an end will enable the visit to progress to the examination function.

At any point during an examination, if a reporting entity has questions about its obligations, or about the Supervisor's findings and recommendations, the Supervisor may decide that a separate outreach session is required.

4.2 *A Compliance Examination Is Not the Same as a Criminal Investigation*

Compliance examinations are not the same as criminal investigations. Before visiting the reporting entity's premises, the Supervisor must make it very clear to the reporting entity that the purpose of the visit is to conduct a compliance examination, not a criminal investigation.

The goal of an examination is to obtain information to enable the Supervisor to ensure and verify compliance by a particular reporting entity. Supervisors conduct examinations for compliance purposes only. They do not investigate to determine criminal liability. Supervisors are not agents for any law enforcement agency.

Supervisors can request documents or information from the reporting entity for the purposes of determining compliance. This information could lead the Supervisor to conclude that there has been breach of the obligations established under the AMLCFT Act and Regulations. Where a Supervisor discovers such a breach by a reporting entity it supervises it may impose one or more of following sanctions-

- (a) issue written warnings to the reporting entity;
- (b) order the reporting entity to comply with specific instructions;
- (c) order regular reports from the reporting entity on the measures it is taking;
- (d) prohibit convicted persons from employment within the sector;
- (e) recommend to the appropriate licensing authority of the reporting entity that the reporting entity's licence be suspended, restricted or withdrawn.

5 DIFFERENT TYPES OF COMPLIANCE EXAMINATION TOOLS

5.1 *Compliance Examination Tools*

The primary purpose of a compliance examination is to verify if the reporting entities are meeting their obligations under the AMLCFT legislation.

Supervisors should use the most efficient and appropriate tools and methods to verify compliance. The Supervisor should first attempt to use the tool that is least disruptive to the reporting entity's business operations and least resource-intensive for the Supervisors, but that is also the most effective in verifying the reporting entity's compliance with its legal obligations. The compliance examination is usually an on-site examination; however, with the approval of the appropriate manager, Supervisors are not restricted from using any or all compliance examination tools at any time if the situation is appropriate.

Supervisors have a wide range of tools and methods to verify compliance. Some of the tools available are:

- database/desk examination;
- the Compliance Questionnaire (see Appendix 1) (primarily used for risk assessment purposes);
- telephone interview with appropriate authentication that the Supervisor is dealing with the legitimate representative of the entity;
- on-site examination; and
- reliance on compliance verifications conducted by regulators.

Note: The Supervisor may receive information from financial sector regulators and may enter into a Memorandum of Understanding (MOU) with them to share compliance information.

5.1.1 *Database/Desk Examination (Office-based Compliance Examination)*

Supervisory officials must receive approval from their appropriate manager to conduct a desk examination only (the normal examination is assumed to be an on-site examination).

During a desk review, the Supervisor reviews all information available to him or her (i.e., reports submitted, various databases, etc.) from his or her desk. The Supervisor may also ask the reporting entity to provide specific information electronically or by mail. For example, he or she could ask the reporting entity to send in a copy of its policies and procedures.

5.1.2 Compliance Questionnaire

While this tool is used primarily for compliance risk assessment purposes, it may also be sufficient to satisfy examination needs. In that case, the Supervisor should indicate that the questionnaire was used as a verification method and include the results of the findings in the completed examination file.

The questionnaire can also help the Supervisor to determine the scope of a particular examination being considered. The benefits of the compliance questionnaire are:

- (i) it covers a large number of reporting entities for a small cost;
- (ii) it is less disruptive to the reporting entity's business operations than an on-site examination; and
- (iii) it can be informative because of the knowledge the reporting entity has of its own risks and controls.

This collaboration, and the discussions that arise out of it, may allow the Supervisor to prepare the most accurate profile of the reporting entity's compliance situation as possible (see 6.1 below).

See Appendix 1 for a sample compliance questionnaire.

5.2 On-site Examination

There are two standard components in most on-site examinations:

- **General**
The main goal of the first component is to obtain a general overview of a reporting entity's compliance, with a focus on the internal policies, procedures, controls and systems established by its compliance programme. This may be accomplished by conducting interviews and/or asking to be provided with copies of key documents, such as compliance policies and procedures, etc.
- **Detailed**
The second component is more detailed and in-depth than the first. It involves sampling of records and more detailed analysis than the first component and it may involve several interviews with employees in various positions at the reporting entity's site.

5.2.1 Large-scale/Multi-site and Single-site Examinations

Depending on the size and complexity of the area covered by a Supervisor, distinctions may be made between various types of examinations. For the purpose of a compliance programme, this may include:

- a large-scale/multi-site examination, which can be defined as an examination of a reporting entity which has locations in various regions within Guyana. Such an examination may require coordination between various offices or organizations.
- A single-site examination, which can be defined as an examination of a reporting entity at only one location.

5.2.2 Stages of an On-site Examination

An on-site examination has three stages as follows:

- **Planning**
This stage involves creating/revising a reporting entity's profile and risk assessment, determining the objectives, scope and methodology of the examination; and setting out an action plan. (See Section 6.)
- **Conducting the Examination**
This stage includes work required to verify the effectiveness of the reporting entity's compliance programme controls by the use of interviews and review of records. (See Section 7.)
- **Reporting the Findings**
This stage includes finalizing the examination summary report and writing letter(s) to the reporting entity concerning the findings, including any recommendations for corrective actions. (See Section 8.)

6 PLANNING THE EXAMINATION

After a particular reporting entity has been selected, planning the examination includes:

- creating/updating the reporting entity's profile (6.1);
- assessing the reporting entity's risk (6.2); and
- completing a detailed action plan (6.3 below).

6.1 *Create/Update Reporting Entity Profile*

The reporting entity profile provides general information about the reporting entity and summarizes any issues associated with non-compliance. To evaluate a reporting entity's compliance, the Supervisor first has to develop sufficient understanding of the reporting entity and associated risks.

The Supervisor must carefully document the reporting entity profile, since it helps him or her to determine the examination's objectives and scope.

6.1.1 *Contents of Entity Profile*

The reporting entity profile can be adapted to a particular reporting entity as appropriate. The following list suggests various possibilities for the contents:

- the reporting entity definition (sector) under the AMLCFT Act;
- the reporting entity's mission statement and objective;
- the reporting entity's structure (organization chart, if available);
- number of branches, if applicable;
- business lines and key activities (types of operations, products and services);
- size of assets, if known;
- results of Compliance Questionnaire (Appendix 1);
- total value and number of transactions conducted by reporting entity;
- outstanding compliance issues (if any);
- the reporting entity's annual report, if available;
- contact information for the reporting entity (including, if applicable, contact information for the reporting entity's compliance officer);
- summary of outreach activities conducted with the reporting entity;
- number and types of reports submitted (i.e. STR, CTR, TPR, Wire Transfer/EFT);
- any potential safety risks to the Supervisors associated with on-site visits to the entity;

The level of detail will depend on the complexity and size of the reporting entity. If a reporting entity is quite small, a one-page profile may be adequate, while a large reporting entity, many locations and global business operations, will require a more

extensive profile. The amount of detail also depends on the availability of preliminary information.

Moreover, a reporting entity's profile will evolve as an examination progresses. In addition to refining the profile at the planning phase, the reporting entity profile must be updated as part of procedures for reporting findings (see 8.2 below).

6.1.2 Other Sources of Information

Other sources of information that can contribute to creating or revising a reporting entity's profile include:

- the reporting entity's web site;
- records of the reporting entity's interactions with the Supervisor from any contact centralized information management system, if applicable.
- telephone directories/internet information;
- databases outside the Supervisor's;
- results from the Supervisor Quality Monitoring function (see 2.1) if applicable, which might have uncovered certain deficiencies in reporting; and
- findings and follow-up to recommended actions from a previous examination.

6.2 Entity Risk Assessment

Risk assessment consists of identifying and quantifying the risks of non-compliance that relate to a specific reporting entity. Ideally, risk assessments of all reporting entities supervised by a Supervisor should be conducted and located in a Risk Assessment Database, if possible.

These risks may apply to the reporting entity sector, as well as to the reporting entity in its entirety, or to one element of a reporting entity's compliance programme. Quantifying risk at the reporting entity level makes it possible to focus on the aspects at most serious risk.

Both sector and reporting entity risk assessments will evolve based on results of examinations. The reporting entity risk assessment must be updated as part of the procedures for reporting findings (see 8.3 below).

6.3 Examination Objectives, Scope and Action Plan

The Supervisor develops an examination action plan (subject to approvals), based on the reporting entity profile and risk assessment above. The appropriate manager consults with the Supervisor(s) on the objectives and scope, results to be produced, and timelines.

Along with the suggested scope, the action plan outlines specific objectives, tasks or other requirements within the scope that have been determined for the examination. These include: identifying the Supervisors that will conduct the examination; arranging any special assistance required; and outlining detailed steps in the process, including timelines and budgets. The action plan sets out exactly what has to be examined and specifies the methodology that will be used (e.g., sampling of records, interviews, etc.).

The action plan must be submitted to the appropriate manager. Some elements of the action plan may be shared with the reporting entity to show the reporting entity what is involved and to discuss how best to avoid disrupting business, without providing certain details (such as the budget, etc.).

6.3.1 Scope and Objectives of the Examination

The first step in developing an action plan is to determine the scope and objectives of the examination based on the reporting entity's profile and risk assessment. Risk management strategies must be applied to ensure that the scope and objectives cover the most serious risks for a particular reporting entity.

The Supervisor(s) assigned to the examination should complete the form called *Compliance Examination Objectives, Scope and Action Plan* (see sample in Appendix 2). It documents the grounds for selecting the reporting entity for examination (i.e., whether this is a random or risk-assessed selection). It also includes the period covered by the examination.

As described in 5.2 above, an examination begins with the general component, which looks at a reporting entity's compliance programme, including each of its reporting, record keeping and client identification controls. It then proceeds to a more detailed and in-depth review focusing on one or more of the above-mentioned elements.

Once completed, the form must be submitted to the appropriate manager for approval.

A sample of the form is included in Appendix 2.

6.3.2 Examination Team and Special Assistance

Supervisors should be assigned to examinations on the basis of seniority and experience. The expertise required to conduct an examination will vary depending on the scope and objectives of the examination, time pressures, and availability of financial and human resources. Less-experienced Supervisors must be supervised.

If additional specialized skills or knowledge are required to gain a better understanding of a reporting entity or to interpret examination findings, the team could be supplemented by bringing in specialists from outside the Supervisors. For example, an information technology specialist could be brought on board to examine a highly automated reporting process.

6.3.3 On-site Pre-examination Meeting (Recommended for Large Reporting Entities)

An examination of a large reporting entity follows the same procedures as all examinations. However, as an additional step, an on-site pre-examination meeting a few weeks before the examination may be added to the action plan to address such considerations as greater complexity and size.

Such a meeting will be at the discretion of the appropriate manager, taking into account such factors as personnel available to conduct the pre-examination meeting and the number of Supervisors planned to conduct the examination (e.g., multiple Officers on a five-day examination of a national multi-billion dollar securities firm).

An on-site pre-examination meeting allows Supervisor(s) to ensure that all parameters needed to conduct a thorough examination have been identified; to ascertain that all necessary records and documentation will be made available by the reporting entity; and to make modifications to the action plan. Topics covered could include the number of records produced over a certain time period and a first-hand overview of the reporting entity's information retrieval and record keeping systems. This will enable the Supervisor(s) to specify a reasonable number of records that the reporting entity should have readily available for the examination.

6.3.4 Methodology

Methodology refers to how the examination team will go about the collection, analysis, interpretation and documentation of information. These method(s) will be expanded upon in the work plan (see 6.3.6 below).

The reporting entity risk assessment (6.2 above) must be considered in developing the methodology.

The methodology could simply state that standard examination procedures (as explained in this guideline) will be used or it could be more specific. For example:

- The Supervisor could request a reporting entity to submit a self-assessment of risks and controls for their compliance programme in writing (see Appendix 1). The Supervisor could also assess the reporting entity's compliance programme by conducting an interview in person or over the phone.
- The Supervisor could conduct an examination of a specific obligation for a number of reporting entities in the same or different sectors.

Whatever the method(s) chosen, they should be clearly documented and specified in the action plan.

The judicious use of analytical methods can result in useful conclusions while minimizing the need for intensive corroboration. For example, the Supervisor could compare the level of operations reported by a reporting entity with results from other reporting entities in the same sector to determine whether the operations reported over a given period appear reasonable. Other examples include multi-year trend analysis, which compares reports by the same reporting entity from two different periods to focus on any variances, and comparative analysis of the number of reports filed by different branches of the same reporting entity.

6.3.5 Budget

Development of a budget for the examination helps managers plan resources. The budget should be recorded in the appropriate section of the form, *Compliance Examination Objectives, Scope and Action Plan* (see sample in Appendix 2). If a large scale/multi-site entity is involved in an examination, the budget should be broken down into separate costs for each site.

Once the examination is completed, the planned budget should be compared with actual hours and other expenses spent on the examination and any discrepancies over budget should be analysed to help to refine a model for estimating budgets.

6.3.6 Work Plan

This part of the action plan specifies in detail which of the reporting entity's policies and procedures will be analysed and what records will be consulted, in accordance with the scope and objectives established for the examination.

Work plans usually entail researching the reporting entity's compliance programme. More detailed examinations will also require testing compliance mechanisms and controls to make sure they work as intended and, depending on the scope of the

examination, examining the reporting entity's records to ensure the effectiveness of the following:

- identifying and reporting Suspicious Transactions;
- identifying and reporting Terrorist Property;
- reporting Currency Transactions (of or above a designated threshold or more);
- reporting incoming and outgoing international Wire Transfers/EFTs of or above a designated threshold or more (if applicable);
- record keeping; and
- client identification and verification.

6.3.7 Safety Considerations

All agencies responsible for AML/CFT Supervision must commit to providing a safe working environment for its employees. It is important to identify any risks to personal safety associated with a particular examination during the planning process. One method is to conduct Police Information checks of individuals or addresses associated with a particular reporting entity to verify if there are any previous incidents or concerns related to personal safety, such as previous convictions for violent or weapons-related offences.

If, at any time during the examination, Supervisors feel that their or their colleagues' personal safety is at risk, they are encouraged to cease the examination, contact their manager and return to the office or another secure location immediately.

6.3.8 Reporting Entity Records in Languages other than English

Supervisors should deal with reporting entity records in a language other than English in the following manner:

- arrange for the reporting entity to have someone who speaks the language other than English to represent them on-site during the examination — the reporting entity may be required to fill out the form called *Authorizing or Cancelling a Representative* to ensure the privacy and lawful disclosure of the information to be discussed (see Appendix 11);
- request the reporting entity present the records that are subject to examination;
- photocopy all necessary records and transfer copies off-site to the appropriate office of the Supervisors;
- arrange to hire a translator with appropriate language skills and a security clearance to translate the records and/or assist with conducting an interview at the office of the Supervisor(not on the reporting entity's site); and
- after the translation is provided, proceed in the same manner as for any other compliance examination.

Note: If the Supervisors are fluent in the language the reporting entity uses for record keeping, he or she may conduct the examination without engaging the services of a translator.

7 CONDUCTING THE EXAMINATION

The action plan (6.3 above) guides the execution of the examination.

Although the Supervisor(s) may use different tools to verify compliance, only the tools that have been determined at the planning stage should be used at this point.

The Supervisor(s) must ensure that the action plan remains pertinent. Once approved, any changes must be discussed with the appropriate manager. Identification of new risks may oblige the Supervisor to revisit the objectives and scope of the examination.

7.1 Document Checklists

To properly control a compliance examination, all deliverables and critical stages should be tracked. Depending on the type of examination, an examination team leader could be appointed to make sure that each stage of the examination is completed.

The document checklists in Appendix 4 (*Compliance Examination Document Checklist*) and Appendix 5 (*Large-scale/Multi-site Compliance Examination Document Checklist*) have been developed for this purpose. They may be amended or expanded as required to address specific needs. The checklists help to maintain consistency on a national basis.

7.2 Importance of Regular Communication with the Entity

It is important to establish and maintain effective communication with the reporting entity's compliance officer and senior executives throughout the entire examination process. Regular communication helps to ensure the reporting entity's active participation and collaboration in the examination process and to validate the information gathered during the examination.

Direct discussions prevent misunderstandings or misinterpretations: they give reporting entities a chance to clear up certain points, to explain the reasons for or context of decisions, and to express their opinions about findings. They also help reporting entities to identify the root cause of any weaknesses that are observed and to propose workable remedies.

7.2.1 Notification of Examination

Initial communication with a reporting entity about the examination should be with the reporting entity's compliance officer. The goal is to establish a good relationship with the

reporting entity and to secure the reporting entity's cooperation in permitting access to all information required.

The amount of notice given to a reporting entity may vary. As far as possible, it is prudent to avoid any surprises concerning arrival of an examination team at the reporting entity's site. Thirty days' advance notice should ensure, among other things, that the reporting entity's compliance officer and senior managers are available.

Generally, a telephone conversation should occur first, with a follow-up letter to confirm details.

The initial message to the reporting entity should specify the following:

- the reporting entity's obligations in accordance with the AMLCFT legislation;
- the Supervisor mandate to provide assistance to reporting entity' and to ensure compliance;
- a general description of the scope of the examination and the elements to be examined (if the examination will concern mainly the implementation of the compliance programme, explain that a more detailed examination could follow);
- the period covered by the examination and proposed dates of on-site work; and
- the records to be ready for the examination (the message may refer to the specific section of the legislative measures which requires an entity to produce their records for examination.

Where appropriate, propose an introductory meeting to interview the reporting entity's compliance officer or other authorised individuals.

In closing, express thanks for the reporting entity's cooperation and availability.

The Supervisor should make an effort to identify the total value and number of transactions conducted by the reporting entity over a year, by whatever sources are available. Such information will allow for a more specific idea of the number of transaction records to be sampled during the examination.

See Appendix 3 for a sample of the follow-up letter to notify a reporting entity of the examination.

7.2.2 Discussions during the Examination

Discussions pertaining to the examination among examination team members should take place at a location that assures confidentiality. However, this may be outside the team's control in the case of discussions with the reporting entity at the reporting entity's premises.

The Supervisors conducting the examination must follow the need-to-know principle and respect restrictions on sharing of information with anyone other than their respective managers.

7.2.3 Initial Meeting

Upon arrival at the reporting entity's premises, the Supervisor(s) should meet with the reporting entity's senior management. Depending on the size of the entity, this generally includes the Chief Executive Officer and the reporting entity's Compliance Officer. The goal of this meeting is to summarize the approach that will be taken by outlining the scope of the examination and how it will be conducted, and to make sure the reporting entity understands why the team is there and what it will be looking at.

Other topics could include asking if there are any changes to the reporting entity profile because of the following:

- changes in control, Board of Directors or management;
- changes in organizational structure or business strategies; and
- new products just introduced or about to be introduced.

The Supervisor(s) should request an organization chart, unless one is already on file, along with a list of persons in charge of various departments and branches that will be involved in the examination and any other key individuals recommended by the reporting entity's senior management. This is a very important step so the team knows who to contact regarding any problems.

Other administrative matters might include:

- the need for equipment (e.g., photocopier) or other support;
- the importance of cooperation during the examination, in that the reporting entity responds to requests for information and documents, and the team does not interfere with the reporting entity's business operations; and
- availability of the reporting entity's main contact to answer questions from the Supervisors (s) about the information requested or about compliance matters generally.

7.2.4 Interviews

Interviews with the people who are actually performing or managing the work can be a very effective way of gathering information on a reporting entity's compliance programme.

See Appendix 13 for guidelines and tips concerning interviews.

7.3 Compliance Programme Examination Checklist

A Compliance Programme Examination Checklist (see Appendix 6) has been created to assist the Supervisor to systematically evaluate the elements of a reporting entity's compliance programme, namely:

- Compliance Officer;
- Compliance Policies and Procedures;
- Review of Compliance Policies and Procedures; and
- Ongoing Compliance Training.

The Supervisor should conduct interviews and review documents following the checklist, and is encouraged to add additional questions specific to the reporting entity. Any review of policies and procedures should identify whether they make reference to whether an individual or entity is conducting a transaction on behalf of a third party.

It is expected that a more general examination will include limited review and sampling of records. A more detailed examination will include in-depth review of a larger sample of records.

7.4 Record Keeping Obligations

Compliance examinations must verify whether a reporting entity meets its record keeping obligations under section 16 of the AMLCFT Act and regulations 6 and 7 of the AMLCFT Regulations.

7.5 Client Identification Obligations

Compliance examinations must also verify whether a reporting entity meets its customer identification and verification obligations under section 15 of the AMLCFT Act and regulations 4, 5 and 6 of the AMLCFT Regulations.

For practical reasons, various customer identification and verification requirements for natural person, legal entity or legal arrangements by sector cannot all be discussed in this guideline. Please refer to the specific requirements for customer identification as per section 15 of the AMLCFT Act and regulations 4, 5 and 6 the AMLCFT Regulations.

7.6 Record Sampling

During the examination, the examination team will conduct non-statistical sampling of records. Although non-statistical sampling is not considered to be 100 percent scientifically valid for all purposes, it is considered acceptable for assessing compliance

and is used by many other organizations that have an inspection mandate. Supervisors may select samples using their judgment (according to the level of risk for non-compliance identified during pre-examination preparation). Alternatively, they may use random sampling.

The following parameters may be used as a guideline to determine the minimum size of the sample, bearing in mind the time and resources assigned to the examination (the sample is based on the total number of relevant transactions conducted by the reporting entity):

- less than 1,000 transactions — minimum sample size of 100;
- 1,000 to 5,000 transactions — minimum sample size of 250; and
- more than 5,000 transactions — minimum sample size of 500.

Note: A minimum of 100 transactions should be sampled for each different type of report, if possible.

7.7 Documenting the Examination

Preferably, the working papers should be prepared on a computer using word processing or spreadsheet software (any work done on the reporting entity's premises should be copied and stored electronically in the appropriate database at the Supervisor as soon as possible).

The examination file must contain all important information about the examination team's work. Record all relevant information — not just problems — that explains how you arrived at the conclusions and recommendations, but avoid superfluous details.

The examination file should be kept meticulously throughout the examination and be well organized so that it is easy to consult, both during and after the examination. Working papers should be cross-referenced to the action plan.

Following the examination, the examination file should be summarized in a Table of Contents, with a list of appendices, and each section and subsection should be numbered.

The examination file should show that the examination's objectives have been met and procedures followed, as indicated in the action plan. Any deviation from the action plan should be explained.

All documents that can be used to reach a conclusion as to whether the reporting entity is in compliance must be included in the file. Findings should also be indicated and cross-referenced to the appropriate working papers.

The following sections may comprise the examination file:

- risk assessment justifying the selection of the reporting entity for examination;
- notice to the reporting entity;
- planning (including scheduling, interviews and all relevant documentation);
- additions to the reporting entity profile, including questionnaires, reporting entity business workflows, checklists and other descriptions related to the compliance programme;
- action plan;
- procedures followed and analyses performed, information obtained, working documents and conclusions drawn;
- interview notes;
- summary of all discussions with the reporting entity's Compliance Officer or senior management, including any discussions with the reporting entity regarding observations or recommendations;
- documents obtained from the reporting entity, if any;
- findings/recommendations of the examination;
- action plan to follow up on recommendations/deficiencies; and
- any other related correspondence with the reporting entity.

7.8 Tools

A centralized contact information management system contains details of contacts with reporting entities, as well as risk assessment information.

7.9 Expenditures

Actual expenditures on the examination (financial and human resources) must be compared with the budget in the action plan and any major differences over the budget explained to help improve the budgeting process in the future.

8 REPORTING THE EXAMINATION FINDINGS

After the examination is completed, the Supervisor(s) will complete the Compliance Examination Summary Report (Appendix 8). The report should include the findings of the examination and a proposed timeline for the reporting entity to complete corrective actions.

8.1 Compliance Examination Summary Report

As mentioned above, each examination file must be well organized and clearly show the work that was done to substantiate the findings. The written report must record stages involved in completing the examination, comments, cross-references to working papers, test results, conclusions about areas of vulnerability and non-compliance detected by the examination, and recommendations.

The report (see Appendix 8) summarizes the entire examination process and gives a clear picture of the extent to which the reporting entity has or has not met its obligations to comply with the specified legislative measures.

The Supervisor may work with the reporting entity to develop solutions to any issues identified as described in 8.1.2 below. The reporting entity is required to produce a corrective action plan to address deficiencies (if any) as described in 8.1.3 below.

8.1.1 Approval of Examination Findings

The results of all examination findings must be approved by the appropriate manager depending on whether it is a large scale/multi-site or a small scale/single-site examination.

8.1.2 Communication with Reporting Entity about Findings

The Supervisor may summarize the examination findings in a letter to the reporting entity. This letter should outline:

- the elements that were the subject of the examination;
- specific deficiencies with reference to the legislative measures (a Supervisor may use wording provided in a Standardized Deficiencies Database, if available);
- the evaluation of these elements (to determine compliance or non-compliance); and
- concrete, customized recommendations.

The findings should be communicated verbally to the respective reporting entity's representative before a letter is formally sent. This gives the reporting entity an opportunity to validate or dispute the findings and forms the basis for discussing differences of opinion at a meeting which takes place at the conclusion of the on-site

aspect of the examination. If applicable, new findings and information will be set out in a second draft of the letter. The final draft must be scrutinized and approved by the appropriate manager.

The letter must be clear enough that the reporting entity can clearly understand the findings, while encouraging compliance. See sample letter in (Appendix 9).

8.1.3 Reporting Entity's Corrective Action Plan

After the findings are communicated to a reporting entity identifying the corrective actions required, the reporting entity is asked to submit a corrective action plan.

If a reporting entity requires more time to complete corrective actions, extensions may be granted in accordance with the following guidelines:

- The extended time should not exceed the original time line by more than half (for example, if the original time to complete the corrective action is 30 days, the extension cannot exceed 15 days).
- If further extensions are required, the same principle applies (in the example above, a further extension should not exceed seven days, the next three days and then one day).
- If an action plan has not been received in a timely fashion, the Supervisor may write the reporting entity's Compliance Officer a reminder letter, with a copy to the senior executive, encouraging the reporting entity to rectify the problem and informing the reporting entity that non-compliance could lead to sanctions by the Supervisor.

Note: The above timelines may be adjusted if appropriate.

8.1.4 Follow-up and Closure

The reporting entity should provide a corrective action plan and timelines for completion, in writing. This correspondence must be included in the examination file for follow-up by the Supervisor responsible for the file. This officer is responsible for ensuring reasonable and timely follow-up and must report regularly to the appropriate manager concerning progress.

See Appendix 11 for a sample letter for responding to the reporting entity's corrective active plan. The responsible Supervisor and appropriate manager will confirm that all follow-up actions have been completed.

8.1.5 Dealing with Entities that Submit Inadequate Action Plans

If an action plan is received that does not adequately address the deficiencies identified in the findings letter, the Supervisor should contact the reporting entity's compliance officer verbally, and in writing, to encourage the reporting entity to provide a new action plan to rectify the deficiencies in a timely manner. Written correspondence should be sent to the senior executive of the reporting entity, with a copy to the reporting entity's compliance officer. The letter should clearly indicate that the entity is in non-compliance with the specified legislative measures.

If the reporting entity submits a second inadequate action plan, the reporting entity should be clearly informed verbally, and in writing, that failure to adequately address these deficiencies promptly may result in sanctions. Written correspondence to the reporting entities could indicate the penalties for non-compliance with the AMLCFT legislation.

8.1.6 Reconsideration of Examination Results

Any reporting entity that is the subject of the Supervisor compliance examination has the right to request that the results of the examination be reconsidered. The reporting entity should first be encouraged to identify its concerns to the appropriate manager. If the concerns cannot be addressed informally, then the reporting entity should be advised that it has the right to make a formal request.

8.2 Update Reporting Entity Profile

At various stages throughout the examination process, the reporting entity profile may require updating to incorporate additional information obtained from the reporting entity.

In some cases, updating the reporting entity profile may only involve a description of the reporting entity's operations in terms of inputs, activities, tools, outputs, stakeholders, systems, etc. Depending on the scope and objectives of the examination, as well as on risks and potential impacts, major activities may need to be analysed in greater detail. System block diagrams may help to visualize the current situation from a different angle to fully understand reporting processes (for Suspicious Transactions, Currency Transactions, Wire Transfers/EFTs and Terrorist Property Reports). Various tools or sources of information, such as data gathering, document analysis, interviewing, workshops, questionnaires, reference frameworks, etc., may be used depending on the situation.

Information may be obtained from an interview with the reporting entity's compliance officer. It may also be appropriate to collect intelligence from external sources in order to understand such factors as the economic and technological environment in which the reporting entity does business and trends most likely to affect the reporting entity in the short term. For example, a securities broker could be a higher risk in a bear market (or recession).

8.3 Update Risk Assessment

On the basis of the examination findings, the Supervisor should perform another risk assessment to take into account any new facts or knowledge that affect the risk posed by the reporting entity.

9 ADDRESSING NON-COMPLIANCE

The Supervisor may determine the most appropriate response to non-compliance and coordinate interventions with the reporting entity. Non-compliance issues are identified in the following ways. They are:

- flagged by a Compliance Case Management or other information management tool;
- identified as a result of Quality Monitoring (see 2.1);
- identified by voluntary information on non-compliance received; or
- identified as a result of the compliance examination.

If non-compliance is detected during an examination, the examination team will take the following steps:

- define the areas of possible non-compliance;
- retain copies of records in support of the determination of non-compliance; and
- discuss the findings with the team leader.

If areas of vulnerability or breaches of compliance are detected, the examination team will develop solutions and recommendations to help the reporting entity meet its obligations.

9.1 *Non-compliance with Legislative Measures*

Non-compliance with the AMLCFT legislative provisions should be identified in an examination findings letter.

If Supervisors identify the potential need to revise a legislative requirement, this should be documented. Completed forms must be submitted to the appropriate manager for review.

Non-compliance with the requirements of the legislative measures refers to any of the elements of the compliance programme (see 1.4.2 and 7.3 above) or to reporting, client identification and record keeping. Alternatively, a control that looked good on paper may have been found ineffective upon testing.

In these instances, Supervisors will help the reporting entity to pinpoint areas that need improvement and to determine actions that reduce the reporting entity's risk of becoming the target of money laundering or terrorist financing schemes.

The Supervisor will consider, cooperatively with the reporting entity, the most appropriate response to non-compliance. The goal is to choose the most effective and efficient way to address the situation, and at the same time achieve lasting compliance.

Where working with the reporting entity still does not achieve compliance, the Supervisor may take appropriate steps for further investigation. This could lead to sanctions for breaches of obligations.

10 DISCOVERY OF FACTS LIKELY TO CONSTITUTE INDICATION OF MONEY LAUNDERING OR TERRORIST FINANCING

Where a Supervisor, during an examination, discovers facts likely to constitute indication of money laundering or terrorist financing, the FIU should be informed immediately.

Appendices

APPENDIX 1
Sample Compliance Questionnaire

**Anti-Money Laundering and Anti-Terrorist Financing
Compliance Program Questionnaire**

Part A - General Information

Date questionnaire completed	<table style="margin: auto;"> <tr> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> <td style="border: 1px solid black; width: 20px; height: 20px;"></td> </tr> <tr> <td style="text-align: center;">DD</td> <td style="text-align: center;">MM</td> <td colspan="4"></td> <td style="text-align: center;">YYYY</td> </tr> </table>									DD	MM					YYYY	
DD	MM					YYYY											
Organization's name and Head Office address _____ _____ _____																	
Please indicate the type of premises for the above Head Office address																	
<input type="checkbox"/> Commercial / Retail <input type="checkbox"/> Residential / Dwelling House <input type="checkbox"/> Other (if other, specify _____)																	
Name and title of the individual completing questionnaire _____ <u>Contact information:</u>																	
Business telephone _____																	
Business fax _____																	
E-mail _____																	
A1	How many branches does your organization have?	_____															
A2	How many employees are there in your organization?	_____															
A3	Do you conduct transactions for non-members?	<input type="checkbox"/> Yes <input type="checkbox"/> No															

Part B - Compliance Officer

B1	Have you appointed a compliance officer responsible for implementing your compliance regime to meet your reporting, record-keeping and client identification obligations?	<input type="checkbox"/> Yes <input type="checkbox"/> No
B2	If you answered yes to question B1, provide the compliance officer's name. _____	
B3	Does your compliance officer report directly to senior management of your business? (Senior management could be the owner or chief operating officer of the business, any senior executive or any member of senior management or the Board of Directors.)	<input type="checkbox"/> Yes <input type="checkbox"/> No
B4	How does your organization keep up with any changes in reporting, record-keeping or client identification obligations?	
<input type="checkbox"/> Media (newspaper, television, etc.) <input type="checkbox"/> Seminars, training or conferences <input type="checkbox"/> Web sites <input type="checkbox"/> Other ways of keeping current <input type="checkbox"/> (If other, specify _____)		

Anti-Money Laundering and Anti-Terrorist Financing Compliance Program Questionnaire

Part C - Compliance Policies and Procedures

C1	Do you have policies and procedures to ensure your reporting, record keeping and client identification requirements are being met?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
C2	Has your organization conducted financial transactions within the last 12 months that either originated from or were destined to individuals or entities based in any of the countries on the Financial Action Task Force (FATF) List of Non-Cooperative Countries or Territories?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
C3	If you answered yes to question C2, which countries were involved and approximately how many transactions were conducted with each country? If there is not enough room below, attach a separate sheet to provide all the relevant information. Make sure to indicate that this information belongs in answer C3.		
<div style="border-bottom: 1px solid black; margin-bottom: 5px;"></div> <div style="border-bottom: 1px solid black; margin-bottom: 5px;"></div>			

Part D - Review of Compliance Policies and Procedures

D1	Have you implemented a process for reviewing the compliance policies and procedures to determine their effectiveness?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
D2	How often do you plan on conducting a review? <input type="checkbox"/> More than once a year <input type="checkbox"/> Once a year <input type="checkbox"/> Less than once a year		
D3	Has such a review already been conducted for your organization?	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Part E - Ongoing Compliance Training

E1	Does your organization provide training about your reporting, record keeping and client identification obligations?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
If you answered yes to question E1, answer question E2.			
E2	Describe how your training is delivered. Include information about the mode and frequency of delivery as well a general description of who is required to take the training. If there is not enough room below, attach a separate sheet to provide all the relevant information. Make sure to indicate that this information belongs in answer E2.		
Mode of training <input type="checkbox"/> In a classroom with trainer/Seminar <input type="checkbox"/> Self-directed <input type="checkbox"/> Computer-based <input type="checkbox"/> Other (If other, specify _____)		Frequency of training <input type="checkbox"/> Yearly <input type="checkbox"/> More often than yearly (e.g., seasonally, quarterly, etc.) <input type="checkbox"/> When new staff is hired <input type="checkbox"/> In special circumstances (Specify circumstances _____) <input type="checkbox"/> Other (If other, specify _____)	
Who receives the training <input type="checkbox"/> Only those in contact with clients <input type="checkbox"/> All staff <input type="checkbox"/> Managers <input type="checkbox"/> Corporate security <input type="checkbox"/> Other (If other, specify _____)		Type of material <input type="checkbox"/> Handouts <input type="checkbox"/> Test administered with pass or fail mark <input type="checkbox"/> Presentation or group discussion <input type="checkbox"/> Other (If other, specify _____)	

Form SAQ1 (11.03)

APPENDIX 2

Sample/Template of Compliance Examination Objectives, Scope and Action Plan Form

Compliance Examination Objectives, Scope and Action Plan

Reporting Entity Name:

1. Objectives and Scope

1.1 Objectives

Under the authority of Anti Money Laundering and Countering the Financing of Terrorism Act 2009 the Supervisory Authority has a responsibility to ensure compliance with AML/CFT legislation. The examination will include specified steps to measure the effectiveness of the Reporting Entity's mechanisms and controls to reduce the risk of non-compliance, and to verify whether the Reporting Entity is meeting its obligations under the legislative measures.

1.2 Scope

Compliance Programme

- | | |
|--|--|
| <input type="checkbox"/> Compliance Officer | <input type="checkbox"/> Policies and Procedures |
| <input type="checkbox"/> Training Programme | <input type="checkbox"/> Review of Policies and Procedures |
| <input type="checkbox"/> If other, please specify: | |

Reporting and Record Keeping

Reporting

Please specify applicable report/record type:

- | | |
|--|--|
| <input type="checkbox"/> Suspicious Transactions | <input type="checkbox"/> Terrorist Property |
| <input type="checkbox"/> Wire Transfers | <input type="checkbox"/> Currency Transactions |
| <input type="checkbox"/> Other elements to be examined, if so specify: | |

Record keeping

- | | |
|--|---|
| <input type="checkbox"/> Record keeping | <input type="checkbox"/> Customer Identification and verification |
| <input type="checkbox"/> Third-Party Determination | <input type="checkbox"/> Beneficial ownership and control structure |
| <input type="checkbox"/> AML/CFT Register of enquires | <input type="checkbox"/> Risk profile of customers |
| <input type="checkbox"/> Other elements to be examined, if so specify: _____ | |

2. Examination Team

Position	Name	Office	Phone	Cell/Pager
Supervisor				
Supervisor				
Supervisor				

3. Special Assistance

Please specify, if exists:

4. Entity Profile

Name:	
Street Address:	
City:	
Province / State:	
Postal Code:	
Contact Name:	
Title:	
Telephone:	
Fax:	
E-Mail:	

5. On-site Pre-Examination Meeting (recommended for large entities)

Yes No

6. Entity Contacts

Name	Title	Phone

7. Risk Assessment

[Insert risk assessment information here if applicable / available]

8. Methodology

Standard examination procedures specified in the AML/CFT Supervisors *Examination Guideline for Supervisors* will be used. Specialty guidance materials, including checklists, forms and other guidance documents will be used where recommended in the guideline.

Where we determine through our review that everything appears to be in order, we complete the area summary for that area and go on to the next area that we are responsible for.

Where the Reporting Entity appears not to be performing in accordance with the legislative measures, it is said to be in non-compliance. The following steps will then be followed:

- define the area of possible non-compliance;
- retain any clearly defined evidence;
- complete the deficiency letter and attach any evidence or supporting documentation that is collected; and
- pass all documentation (deficiency letter and evidence/supporting documentation) to the team leader.

9. Budget

Estimated Overall Budget	Total
Travel Expenses	
Overtime	
Add: 10% Contingency	\$0.00
Total:	0.0

Travel Expenses Detailed Estimate				
Hotel	Airfare	Car	Misc.	Total
				\$0.00

Overtime Expenses Detailed Estimate		
Total	Hours	Total Currency Amount

10. Work Plan

1. Conduct risk assessment of sector or Entity to be examined.
2. Determine the objectives and scope of the examination.
3. Determine/assign the examination team members.
4. Prepare the Entity profile.
5. Update detailed risk assessment (if necessary).
6. Administer Compliance questionnaire (if applicable).
7. Notify the Entity that the examination will be conducted.
8. Prepare/update necessary examination documentation/checklists.
9. Conduct introductory meeting.
10. Update Entity profile (if necessary).
11. Update risk assessment (if necessary).
12. Evaluate effectiveness of Entity's controls established for compliance with the legislative measures.
13. Conduct testing to ensure compliance Programme controls are working.
14. Identify and document violations of non-compliance (if necessary).
15. Develop solutions to address issues of non-compliance (if necessary).

16. Prepare and document findings.
17. Conduct meeting with Entity to discuss results and validate findings.
18. Inform appropriate management of examination results.
19. Prepare formal findings and recommendations letter for Entity and get necessary approval.
20. Ensure that Entity responds to recommendations and action plan to address weaknesses (if necessary).
21. Conduct a “what went well/what went wrong?” analysis with examination team.
22. Complete working papers and save electronically.

11. Officer Safety Considerations

[Specify if there are any security considerations]

12. Officer Responsible for Examination

Signature: _____

Supervisor:

_____ Date

13. Approval of Examination Action Plan

Signature: _____

Director of Supervision:

_____ Date

APPENDIX 3

SAMPLE LETTER FOR REPORTING ENTITY NOTIFICATION OF EXAMINATION

[DATE]

Mr. John Doe
ABC Pawnshop
Address

Dear Mr. Doe:

As a follow-up to our telephone conversation on [date], we would like to notify you that your organization has been selected for a compliance examination to verify its compliance with the requirements of the Anti Money Laundering and Countering the Financing of Terrorism (AMLCFT) Act 2009, AMLCFT Regulations 2010 and other subsidiary legislation.

The objective of this examination is to assess the extent to which your organization's compliance Programme, reporting, maintenance of customer records and customer identification policies and practices meet the legislative requirements.

As was agreed during our telephone conversation, the examination will take place on [date] at your office beginning at [time] and should conclude at approximately [time]. The examination could include interviews with key personnel.

I will be accompanied by [SupervisorName #2] and upon arrival at your business we would like to meet [the manager of the organization]. Following the introduction we will review the AML/CFT Supervisor's mandate with you and ensure that you and your management are familiar with AML/CFT Supervisor's examination process.

We would ask that you provide us with a copy of the following documents at least one week in advance of our examination date. This will allow us to become familiar with your processes and thus limit the amount of time that we will need to be on-site.

- 1) Copy of your organization's compliance policies and procedures. If you do not already have a written version, please provide a written summary of the policies and procedures you follow on a daily basis to ensure compliance with the legislative measures;
- 2) Copy of all training material that has been provided to your staff in relation to your obligations under the legislative measures;

- 3) Copy of any documented internal or external review of your compliance policies and procedures that have been completed to date.

You can provide these documents to us by mailing them to Supervisory Authority's [Address], or faxing them to [number] or e-mailing them to me at [e-mail address].

On the date of the examination, we require the following documents and records for the period of [date] to [date] be available for review at the examination location. You can either have copies ready in advance, or provide access to the originals.

- 1) All Currency Transaction Records (above a designated threshold).
- 2) All records related to any Suspicious Transaction Reports.
- 3) All Wire Transfers records.
- 4) All Foreign Currency Exchange Transaction Tickets.
- 5) All customer information records for any person or business that conducted business with you (This also includes any customer credit files or internal account memorandums).
- 6) Other

We would like to thank you in advance for your assistance and cooperation. For more information, or if you have any questions, please do not hesitate to contact me by telephone at [number] or by e-mail at [e-mail address].

Yours sincerely,

Supervisory Authority

cc: Compliance Supervisor

APPENDIX 4

Compliance Examination Document Checklist

Reporting Entity Name: _____

Check if Completed	Name of Examination Document
	Compliance Examination Summary Report
	Findings Letter at End of Examination
	Entity Response to Deficiency Letter
	Compliance Programme Examination
	Examination Notification Letter to Entity
	Objectives, Scope and Action Plan
	Multi-scale/Large-scale Compliance Examination Document Checklist
	Authorizing or Cancelling a Representative- Form
	Other

APPENDIX 5

Large-scale/Multi-site Compliance Examination

Document Checklist

Note: To be completed by [Supervisor Name] only when coordinating large-scale/multi-site examinations conducted by several Supervisors . For other, smaller-scale/single-site examinations complete the one-page Compliance Examination Document Checklist.

Examination Title and Reference Number:

Compliance Officer/Examination Team:

Step/Action	Assigned to	Date Completed	Working Paper Reference #	Comments
Planning Phase				
1. Conduct risk assessment of sector or Entity to be examined				
2. Determine the objectives and scope of the examination.				
3. Determine/assign the examination team members.				
4. Prepare Entity profile.				
5. Conduct detailed risk analysis (more specific than point 1 above; identify specific areas needing closer attention).				
6. Administer self-assessment questionnaire (by mail or e-mail) (if applicable).				
7. Develop detailed action plan.				
8. Identify resources needed (can be included in point 7 above).				
9. Identify budget needed (can be included in point 7 above).				

Step/Action	Assigned to	Date Completed	Working Paper Reference #	Comments
10. Notify the Entity that the examination will be conducted (notification phone call and letter).				
11. Create examination working paper index system.				
12. Prepare other necessary audit tools (interview questions, surveys, data recording sheets, etc.).				
Conducting the Examination Phase				
13. Conduct introductory meeting.				
14. Update Entity profile (if necessary).				
15. Update risk analysis (if necessary).				
16. Evaluate effectiveness of mechanisms and controls established for compliance (i.e., interview on Entity's compliance Programme).				
17. Conduct testing to ensure compliance Programme controls are working (i.e., sample records, interview other staff, etc.).				
18. Identify areas of non-compliance and document violations (if necessary).				
19. Develop solutions to address issues of non-compliance (if necessary).				
20. Prepare and document findings.				
Reporting Phase				

Step/Action	Assigned to	Date Completed	Working Paper Reference #	Comments
21. Conduct meeting with Entity to discuss results and validate findings (ensure no misunderstandings, and identify causes of weakness, potential solutions, etc.).				
22. Inform appropriate management of examination results.				
23. Prepare formal findings and recommendations letter for Entity and get necessary approval.				
24. Ensure that Entity responds to recommendations and action plan to address weaknesses (if necessary).				
25. Conduct a “what went well/what went wrong?” analysis with examination team.				
26. Complete working papers and save electronically.				

APPENDIX 6

Compliance Programme Examination Checklist

Entity Name:

Operating Name: (if different from above)

Entity Sector:

Licensed Financial Institution:

- | | |
|---|--|
| <input type="checkbox"/> Bank | <input type="checkbox"/> Money Transfer Agency |
| <input type="checkbox"/> Cambio | <input type="checkbox"/> Insurance Company |
| <input type="checkbox"/> Securities Company | <input type="checkbox"/> If other, please specify: |

Designated Non Financial Business or Profession:

- | | | |
|---|---|---|
| <input type="checkbox"/> Pawnbroker | <input type="checkbox"/> Real Estate | <input type="checkbox"/> Used Car Dealers |
| <input type="checkbox"/> Betting Shop | <input type="checkbox"/> Casino | <input type="checkbox"/> Accountant |
| <input type="checkbox"/> Co-operative/Credit Union | <input type="checkbox"/> Friendly Society/NPO | <input type="checkbox"/> Attorney-at-law |
| <input type="checkbox"/> Dealer in Precious Metals/Gold Dealer | <input type="checkbox"/> Trust Company Service Provider | |
| <input type="checkbox"/> Dealers in Precious Stones/Diamond Dealers | <input type="checkbox"/> Notary | |
| <input type="checkbox"/> Independent Legal Professional | <input type="checkbox"/> If other, please specify: | |

Entity Address:

Contact Name

Telephone Number

Type of Examination

Reporting Mechanism

[Enter types of reporting mechanism(s) used by Entity if applicable]

Reports Submitted

- Suspicious Transactions
- Terrorist Property
- Wire Transfers
- Currency Transactions
- [Other]
- [Other]
- [Other]

Overall Comments (Mandatory):

[Enter comments as they pertain to the overall exam results]

Answer Yes, No or Not Applicable

Y/N/NA

Compliance Programme

1. Compliance Programme implemented?	<input type="checkbox"/>
2. Compliance Programme includes all the key elements?	<input type="checkbox"/>
3. [Other]	<input type="checkbox"/>

Compliance Officer

4. Has a Compliance Officer been appointed?	<input type="checkbox"/>
5. Does the Compliance Officer have the necessary powers and resources to discharge his obligations effectively? (including access to information and ability to report)	<input type="checkbox"/>
6. Does the Compliance Officer regularly give a status update to superiors?	<input type="checkbox"/>
7. Does the Compliance Officer hold a senior-level position?	<input type="checkbox"/>
8. Does the Compliance Officer participate directly in the receipt, transfer or payment of money?	<input type="checkbox"/>
9. Has the Compliance Officer delegated any duties to other employees? If yes, which employees: What duties (list duties):	<input type="checkbox"/>
10. [Other]	<input type="checkbox"/>

Comments:

[Enter comments as they pertain to this particular section]

Compliance Policies and Procedures

1. Have compliance policies and procedures been established?	<input type="checkbox"/>
2. Does the level of detail reflect the complexity of operation and the risk of exposure to money laundering and terrorist financing schemes?	<input type="checkbox"/>
3. Do they show determination to prevent, detect and resolve non-compliance?	<input type="checkbox"/>
4. Have they been clearly explained to front-line staff?	<input type="checkbox"/>
5. Are they fully understood?	<input type="checkbox"/>
6. Do they cover all applicable requirements	<input type="checkbox"/>
7. (reporting, record keeping and customer ID)?	<input type="checkbox"/>
8. Do company directors understand what the legislative measures require?	<input type="checkbox"/>
9. [Other]	<input type="checkbox"/>

Comments:

[Enter comments as they pertain to this particular section]

Review of Compliance Policies and Procedures

1. Has the Entity implemented a process for reviewing and monitoring its policies and procedures to test their effectiveness?	<input type="checkbox"/>
2. How often is this review conducted?	[Please specify]
3. Is more frequent review needed?	<input type="checkbox"/>
If yes, provide recommendation:	
Reason (e.g., Regulations, amendments, issues of non-compliance, new products):	
4. Has the Entity had to amend existing policies as a result of the review process?	<input type="checkbox"/>
5. Has the review been conducted by:	External Auditor <input type="checkbox"/>

Aspects reviewed:

6. Interviews with operational staff and their supervisors to assess their knowledge?	<input type="checkbox"/>
7. An examination of the criteria used to detect Suspicious Transactions (STs)?	<input type="checkbox"/>
8. A sampling of Currency Transactions (above designated threshold), followed by an examination of the reports on these transactions?	<input type="checkbox"/>
9. A sampling of Wire Transfers followed by an examination of the reports?	<input type="checkbox"/>
10. A control of the validity of the Alternative to Currency Transaction Report (above designated threshold)?	<input type="checkbox"/>
11. A control of record keeping system to verify its compliance with the AML/CFT legislation	<input type="checkbox"/>
12. A control of customer identification procedures to verify their compliance with the AML/CFT legislation.	<input type="checkbox"/>
13. Have the findings of the review been documented?	<input type="checkbox"/>
14. Have any identified weaknesses been pointed out to senior management?	<input type="checkbox"/>
15. Did senior management indicate corrective actions and propose an implementation schedule?	<input type="checkbox"/>
16. Has a self-review been conducted?	<input type="checkbox"/>
17. Was the self-review done by an individual whose duties are independent of the reporting, record keeping and compliance control function?	<input type="checkbox"/>
18. Did the self-review make it possible to determine whether appropriate policies and procedures are in place?	<input type="checkbox"/>
19. Are policies and procedures complying with AML/CFT legislation	<input type="checkbox"/>
20. Are the details of the review consistent with the complexity of the Entity's activities?	<input type="checkbox"/>
21. Has the review process been documented?	<input type="checkbox"/>
22. Does it indicate weaknesses detected?	<input type="checkbox"/>
23. Is corrective action to be taken?	<input type="checkbox"/>
24. Are follow-up activities to be conducted?	<input type="checkbox"/>
25. [Other]	<input type="checkbox"/>

Comments:

[Enter comments as they pertain to this particular section]

Ongoing Compliance Training	
1. Does the Entity have employees or agents authorized to act on its behalf?	<input type="checkbox"/>
2. Does the training Programme reach all employees?	<input type="checkbox"/>
3. Have other people who have duties inherent in the compliance Programme received training (IT, employees responsible for reporting, Compliance officers, internal auditors...)?	[Please specify]
4. How frequently is training offered?	[Please specify]
5. What training modes are used?	[Please specify]
6. Does each new employee receive the training as part of orientation?	<input type="checkbox"/>
7. Are employees given refresher training periodically?	<input type="checkbox"/>
8. Are all employees aware of the most recent changes and trends in money laundering/terrorist financing (ML/TF)?	<input type="checkbox"/>
9. Do employees who have moved to a different position receive the training they need to understand their risk of exposure, in their new duties, to ML/TF schemes?	<input type="checkbox"/>
10. Is the training method adequate in view of the size of the Entity and the complexity of the subject?	<input type="checkbox"/>
11. Does the training allow staff to understand legislative requirements?	<input type="checkbox"/>
12. Does the training make employees aware of internal policies and procedures to detect ML/TF?	<input type="checkbox"/>
13. Does staff understand exactly what their responsibilities are with respect to the policies and procedures?	<input type="checkbox"/>
14. Do they understand the extent to which their organization is vulnerable to ML/TF?	<input type="checkbox"/>
15. Does the training give examples of ways used to launder money?	<input type="checkbox"/>
16. Are employees informed that they do not have the right to disclose to the customer conducting the transaction the fact that they have reported a Suspicious Transaction?	<input type="checkbox"/>
17. Do they understand that they are not liable for civil or criminal proceedings against them for making a report in good faith?	<input type="checkbox"/>
18. Does the training provide general information about ML/TF?	<input type="checkbox"/>
19. [Other]	<input type="checkbox"/>

Comments:

[Enter comments as they pertain to this particular section]

Records:

1. Identification and reporting of Suspicious Transactions?	<input type="checkbox"/>
2. Reporting of Terrorist Property?	<input type="checkbox"/>
3. Reporting of incoming and outgoing Wire Transfers	<input type="checkbox"/>
4. Reporting of Currency Transactions (above designated threshold)?	<input type="checkbox"/>
5. Record keeping?	<input type="checkbox"/>
6. Customer identification and verification?	<input type="checkbox"/>
7. [Other]	<input type="checkbox"/>

Comments:

[Enter comments as they pertain to this particular section]

APPENDIX 7

SAMPLE RECORD KEEPING CHECKLIST

Customer Information Records

Where a customer³ is a natural person

- Customer's name
- Date of birth of customer
- Address of customer
- Occupation of customer
- The nature and date of transaction
- Type and amount of currency involved
- Type and identifying number of any account with the reporting entity involved in the transaction
- If the transaction involves a negotiable instrument other than currency, the name of the drawer of the instrument, the name of the institution on which it was drawn, the name of the payee, if any, the amount and date of the instrument, the number, if any, of the instrument and details of any endorsements appearing on the instrument
- The name and address of the reporting entity, and of the officer, employee or agent of the reporting entity who prepared the report.

Where a customer is a legal person or legal arrangement:

- The customer's name and legal form
- Proof of incorporation (Certification of Incorporation or a trust instrument)
- The names and addresses of members of the customer's controlling body such as for companies, the directors; for trusts, the trustees and for limited partnerships the general partners and senior management such as the Chief executive officer;
- The legal provisions that set out the power to bind the customer such as the memorandum and articles of association, by-laws or trust instrument
- The legal provisions that authorise persons to act on behalf of the customer such as a resolution of the board of directors or statement of trustees on opening an account and conferring authority on those who may operate the account
- The identification record of the physical person purporting to act on behalf of the customer

³ Customers shall include persons, whether natural, legal, or legal arrangements, who are or who seek to be

- (a) In a business relationship with the reporting entity;
- (b) Engaged in one or more occasional transactions with the reporting entity when the total value of the transaction equals or exceed one million dollars;
- (c) Engaged in carry out wire transfers with the reporting as set out in section 20 of the Act; and
- (d) Engaged in any activity with the reporting entity in any instance where there is a suspicion by any employee, director, officer of agent of the reporting entity that the transaction may be linked to money laundering or terrorist financing.

APPENDIX 8

TEMPLATE/SAMPLE
Compliance Examination Summary Report

Entity Name:

Entity Address:

SUMMARY OF COMPLIANCE DEFICIENCIES (if applicable)

[Enter list of all deficiencies found, if applicable]

SUMMARY OF BEST PRACTICES (if applicable)

[Enter list of all best practices, if applicable]

Date(s) of examination:

Date findings/deficiency letter sent:

Due date for Entity response to findings/deficiency letter:

Date replied to Entity response:

Compliance Officer	Signature	Date

APPENDIX 9

TEMPLATE/SAMPLET OF FINDINGS LETTER AT END OF AN EXAMINATION

[DATE]

Mr. John Doe
ABC Pawnshop
Address

Dear Mr. Doe:

The purpose of this letter is to advise you of the results of our recent compliance examination to verify your compliance with the AMLCFT legislation.

We would like to thank you for the efforts that you have taken to implement a compliance Programme and express our appreciation for your cooperation with our compliance team during the examination process. However, as we advised you verbally at our on-site examination, we have identified the following deficiencies that result in your organization being in non-compliance with [legislative measures] at present:

Deficiency #1: Policies and Procedures

Your organization has not implemented a Programme for complying with the [legislative measures]. Specifically, no Supervisor has been appointed; there do not appear to be any compliance policies and procedures; no periodic review is conducted of such policies and procedures to determine their effectiveness; and there is no apparent training to assist your employees to understand how the legislation applies to your organization.

Deficiency #2: Record Keeping

Your organization does not complete and keep for its records foreign exchange transaction tickets, contrary to the [legislative measures].

The [Supervisory Body] is committed to achieving compliance by taking a cooperative approach. Consequently, we request that you provide us with an action plan identifying what steps you have taken to rectify these compliance issues, in writing, no later than 30 days from the date of this letter. After that time, a Supervisor may conduct a follow-up examination to verify if the steps have assisted your organization in meeting its obligations under the legislative measures.

In addition to the deficiencies noted above, you may also want to consider the following best practices:

Best Practice #1: Policies and Procedures

You should consider putting your policies and procedures in writing. This would serve as a useful reference point for a periodic review of the effectiveness of your policies and procedures. It would also help facilitate a clear understanding of operational procedures to meet legal requirements in the event of a change of staff or ownership of your organization.

We would like to thank you in advance for your assistance and cooperation. For more information, or if you have any questions please do not hesitate to contact me by telephone at [number] or by e-mail at [e-mail address].

Yours sincerely,

Supervisory Authority

cc: Compliance Supervisor

APPENDIX 10

Sample Findings letter at end of an examination with no deficiencies

[DATE]

Mr. John Doe
ABC Pawnshop
Address

Dear Mr. Doe:

The purpose of this letter is to advise you of the results of our recent compliance examination to verify your compliance with the legislative measures.

We would like to thank you for the efforts that you have taken to implement a compliance Programme and express our appreciation for your cooperation with our compliance team during the examination process. As we advised you verbally we did not observe any deficiencies as of the date of the examination that would put your organization in non-compliance with the legislative measures.

However you may want to consider the following best practices:

Best Practice #1: ***Title of Best Practice***

Best Practice #2: ***Title of Best Practice***

Best Practice #3: ***Title of Best Practice***

We would like to thank you for your assistance and cooperation. For more information, or if you have any questions please do not hesitate to contact me by telephone at [number] or by e-mail at [email address].

Yours sincerely,

Supervisory Authority

cc: Compliance Supervisor

APPENDIX 11

SAMPLE LETTER FOR RESPONDING TO THE REPORTING ENTITY'S ACTION PLAN

[DATE]

Mr. John Doe
ABC Pawnshop
Address

Dear Mr. Doe:

The purpose of this letter is to discuss your compliance action plan. You prepared the plan as a result of the deficiencies identified in our recent examination to verify your compliance with the [legislative measures].

We would like to express our appreciation for submitting your action plan in a timely manner. After reviewing your action plan, we have assessed that either more detail or greater clarification is need to adequately address the identified deficiencies. The remaining issues are outlined below, and correspond with the same deficiencies as numbered on our previous letter dated [date].

Deficiency #1: Compliance Programme

Your organization has not fully implemented a compliance Programme, which is contrary to the [legislative measures]. Specifically you have not developed policies and procedures, implemented a procedure to review those policies or adequately trained yourself to understand these Regulations.

Remaining issue: Neither your action plan nor your policies and procedures address how you propose to implement a process to review your policies and procedures.

Deficiency #2: Ascertainig Identity

Your organization is not complying with the requirement to obtain corporate identification documents, contrary to the [legislative measures]

Remaining issue: Neither your action plan nor your policies clearly spell out what steps you will take to identify current and future corporate customers.

Deficiency #3: Third-Party Determination

Your organization does not currently take any measures to conduct a Third Party Determination. Failure to report this information is contrary to the [legislative measures]. Both your action plan and policies and procedures inaccurately indicate that third parties are the actual senders and receivers of money. Third parties do not refer to the sender or receiver of the wire transfer/electronic fund transfer, but rather refer to any other individual or entity, that the sender or receiver is acting on behalf of. Please advise how you intend to conduct Third Party Determinations for all future transactions above the designated threshold.

Remaining issue: Neither your action plan nor your policies clearly spell out what steps you will take to identify current and future corporate customers.

The [Supervisory Body] is committed to achieving compliance by taking a cooperative approach. Consequently, we request that you provide us with an action plan identifying what steps you will take to rectify these compliance issues, in writing, no later than 15 days

from the date of this letter. After that time, a Supervisor may conduct a follow-up examination to verify if the steps have assisted your organization in meeting its obligations under the legislative measures.

We would like to thank you in advance for your assistance and cooperation. For more information, or if you have any questions please do not hesitate to contact me by telephone at [number] or by e-mail at [e-mail address].

Yours sincerely,

Supervisory Authority

cc: Compliance Supervisor

APPENDIX 12
Form for
Authorizing or Cancelling a Representative

Complete this form to authorize the Examiner/Supervisor to deal with another person (such as your accountant, lawyer, etc.) as your representative for dealing with matters concerning Compliance with the AMLCFT obligations.

Part A –Entity Information

Name (if individual, first and last name) Mailing Address	
<u>Contact Information</u>	
Business Telephone	_____
Business Fax	_____
E-mail	_____

Part B – Authorizing a Representative

Name of representative (if an individual , first name and last name. If a firm , name of firm.)	

Note: If you indicated a firm, and you want a specific individual in the firm to represent you, give his or her first name, last name, and title. If you do not identify a specific individual in the firm, you are authorizing Supervisor to deal with anyone from the firm.	
Check the appropriate box which is applicable to this authorization:	
<input type="checkbox"/>	The authorization is applicable to all previous and future dealings with Supervisor until cancelled.
<input type="checkbox"/>	The authorization is applicable to only the specified issue(s) or date as identified on the line below.

<u>Representative contact information</u>	
Business Telephone	_____
Business Fax	_____
E-mail	_____

Part C – Cancelling one or more existing authorizations

<input type="checkbox"/>	Check this box to cancel all existing authorizations
<input type="checkbox"/>	Check this box to cancel all existing authorizations given to the representative(s) you list below. (If an individual , first name and last name. If a firm , name of firm, as well as the first name, last name, and title of any individual(s) in the firm that you have specified.)

Part D - Signature

By signing this form you authorize Supervisor to deal with the representative identified in Part B; or cancel the existing authorization indicated in Part C.	

Signature of individual or signature and title of authorized signing person	Date

This Form should be completed and signed by the Reporting Entity

Why do you need to complete this form?

The AML/CFT Supervisory Authority ensures that the information it is mandated to receive and hold is protected from unauthorized use and disclosure. If you want the AML/CFT Supervisory Authority to deal with another person (such as your accountant, lawyer or relative) as your representative for AML/CFT Compliance matters, your authorization is needed. This can be done by completing the appropriate parts of this form.

Your authorization will stay in effect until you cancel it. It is important that you remember each authorization given to the AML/CFT Supervisory Authority so that you can cancel the authorization when it is no longer needed. You can cancel an existing authorization by either calling the AML/CFT Supervisory Authority or by completing Parts C and D of this form.

You will have to complete a new form if you want to change any information about an existing representative. You can have more than one representative authorized at the same time. However, you have to complete a separate form for each representative.

What will your representative be allowed to do?

When you authorize the AML/CFT Supervisory Authority to deal with a representative, you are allowing that person to act on your behalf for matters pertaining to the AML/CFT Compliance. There are two options provided for such representation. One is to authorize your representative to deal with the AML/CFT Supervisory Authority on your behalf for all previous or future matters concerning AML/CFT compliance until you cancel it. The other option is to specify that your representative only be given authorization to deal with the AML/CFT Supervisory Authority on your behalf for a specific issue (i.e., reporting issue, results of a compliance examination, etc.) or up to a certain date.

What happens if you do not sign this form?

If you do not sign this form, the AML/CFT Supervisory Authority cannot be sure that you have given the AML/CFT Supervisory Authority power to deal with the representative identified on the form. To protect the confidentiality of your AML/CFT compliance information, the AML/CFT Supervisory Authority will not accept or act on any information given on this form unless you have signed the form.

Do you need more information?

If you need more information, call the AML/CFT Supervisory Authority's number at [insert phone number].

Where do you send your completed form?

You can send your completed form via facsimile or mail. Facsimile number is [insert fax number]. (Long distance charges apply). Mailing Address is as follows:

AML/CFT Supervisory Authority
[insert address]

Authority

APPENDIX 13

Interview Tips

The following tips may be used as a guideline to enhance interviews that take place during the course of a compliance examination.

Prepare for the interview:

- Learn as much as you can about the operation and the people working in it (use the entity profile prepared during the preliminary review work).
- It is preferable to have two Supervisors, one to focus on the interview and the other to take notes.
- Prepare your interview questions in advance.
- The interviewer's job is to guide the conversation and direct it to the area of greatest interest.
- Use a mixture of open-ended and closed questions. For questions that encourage lengthy answers, use words such as "overview, description and opinion." These questions often start with the words "how" or "why" and usually give the interviewee more control of the interview.
- Closed questions seek brief, specific answers and usually put the Supervisor in charge.
- Generally, the most effective questions are ones that begin with "how" or "why," call for specific answers, expand on what's already known and clarify.
- Memorize the first few questions on your list; once the conversation is rolling along, you can glance at the list occasionally.
- Ask additional or complementary questions as they arise based on what the interviewee says. Make sure these additional questions are added to the list or the notes.
- Bring two pens or pencils and sufficient paper to take notes for every answer.

Arranging the interview:

- Call in advance to make an appointment with the interviewee.
- Know what you want to say before you approach the interviewee.
- Be courteous and friendly.
- Explain the purpose of the interview.
- Do not talk too much.
- Take a low-key approach. Describe what you would like to do as have a "talk with," rather than using the word "interview."

Timing and setting:

The timing and setting of the interview can influence the tone of the conversation as well as its direction and overall effectiveness.

- Avoid scheduling interviews late in the day, before the weekend or a holiday, or immediately before lunch.
- Limit the interview to an hour; if you do have to go longer, consider scheduling two meetings. At the very least, have a short break after an hour.
- Try to agree on a setting where distractions will be minimal and confidentiality will be assured. Make sure that the interviewee is comfortable with the setting. Ultimately, location should be the interviewee's decision.

Conducting the interview:

Set the climate:

- Dress professionally.
- Arrive on time.
- Announce yourself to the interviewee in a professional manner.
- Be polite and professional, call your interviewee by name.
- Start with casual conversation to break the ice.
- Establish rapport, but do not waste time.
- Make eye contact.
- Show enthusiasm.

Listen:

- If you do not understand something, ask for clarification.
- Avoid interrupting or talking too much.
- Use body language to show interest or confirm listening.
- Avoid crossing your hands.
- Do not play with anything in your hands.

A good listener:

- uses eye contact appropriately;
- is attentive and alert to a speaker's verbal and non-verbal behaviour;
- is patient and doesn't interrupt (waits for the speaker to finish);
- is responsive, using verbal and non-verbal expression;
- asks questions in non-threatening tones;
- paraphrases, restates or summarizes what the speaker says;
- provides constructive feedback;
- is empathic (works to understand the speaker);
- shows interest in the speaker as a person;
- demonstrates a caring attitude and is willing to listen;
- doesn't criticize; is non-judgmental; and
- is open-minded.

Probe thoughtfully:

- Try to focus on the points you have prepared.
- Give the interviewee enough time to answer the question.
- Try to get complete statements.
- Do not hesitate to press for further details by rephrasing the person's answer in the form of a question.
- Ask for examples.
- Try to draw out specifics: how long, how many, when, etc.
- If you have to ask tough questions, do it with a smile.
- Do not be confrontational.

Motivate the interviewee:

- Provide a valuable reason to cooperate with you.
- Confirm the significance of the interviewee's contribution to the ultimate goal of ensuring that entity is compliant with legislative measures.

Control the interview:

- Make each question count.
- Use the time available to its fullest advantage.
- Refer to your list of prepared questions and allow for discussion.
- If your interviewee rambles on or gets off track, it is appropriate to move on as politely as possible.
- Pay attention to the time and don't wear out your subject.
- When the agreed-upon time limit is up, suggest that you bring the interview to a close.
- Make arrangements for a follow-up talk if needed.

Summarize and follow up:

Following the interview, summarize the information you have gathered. Underline or highlight quotes or comments that seem most significant. Fill in whatever gaps exist in your notes that will help you understand them later.

You may want to consider sharing your summarized overview of the interview with the interviewee. This will provide an opportunity for the interviewee to confirm your understanding of what was discussed and to correct any errors or omissions.