

WHY A RISK-BASED APPROACH FOR MSB

FACT CORNER - DID YOU KNOW??

The Financial Action Tasks Force (FATF) is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering and terrorist financing.

For more information about the FATF, Please visit the website: WWW.FATF-GAII.ORG



Topics Discussed:

- ⇒ Definition of MSB
- ⇒ Purpose of Risk-based Approach Guide
- ⇒ Potential Benefits & Challenges
- ⇒ FATF & Risk-Based Approach
- ⇒ Summary Box

RISK-BASED APPROACH

Definition of Money Service Business (MSB):

A Money Service Business is a Non-Bank Financial Institution that provides the following services: transmission of money or monetary value; cheque cashing; currency exchange; issuance, sale or redemption of money orders or traveler's cheques; payday advances.



INTEGRITY
 IS CHOOSING
 YOUR ACTIONS
 BASED ON VALUES
 RATHER THAN
 PERSONAL GAIN.

The FATF adopted a Risk Based Approach (RBA) for Money Services Business (MSB) to combat money laundering and terrorist financing at its June 2009 Plenary. The adoption of this approach, encompasses recognizing the existence of the risk(s), undertaking an assessment of the risk(s) and developing strategies to manage and mitigate the identified risks.

MSBs will need to identify higher risk customers, products and services, including delivery channels and geographical locations, in order to determine where the money laundering and terrorist financing risks are the greatest. These are not static assessments and will change depending on how circumstances develop and how threats evolve.

SOUND JUDGEMENT IS KEY!

Purpose of RBA Guide

- ⇒ Support the development of a common understanding of what the risk-based approach involves
- ⇒ Outline the high-level principles involved in applying the risk-based approach
- ⇒ Indicate good public and private sector practice in the design and implementation of an effective risk-based approach
- ⇒ By adoption, it ensures that MSBs implement measures to prevent or mitigate money laundering and terrorist financing risks
- ⇒ It implies the adoption of a risk management process for dealing with money laundering and terrorist financing.

Potential Benefits & Challenges

POTENTIAL BENEFITS:

- Better management of risks and cost-benefits;
- Money service business focuses on real and identified threats; and
- Flexibility to adapt to risks that change over time.

POTENTIAL CHALLENGES:

- Identifying appropriate information to conduct a sound risk analysis;
- Addressing short term transitional costs; and
- Greater need for more expert staff capable of making sound judgments and Regulatory response to potential diversity of practice.

FATF & Risk-Based Approach

The varying degrees of risk of money laundering or terrorist financing for particular types of MSBs or for particular types of customers, products or transactions is an important consideration underlying the FATF Recommendations.

In all cases, when assessing risk, due regard should be given to the attractiveness to criminals and terrorists of using channels which they identify as suiting their purpose.



Summary Box

Key elements for the success of a risk-based approach to countering money laundering and terrorist financing at the national level are :

- Money services business and regulators should have access to reliable and actionable information about the threats.
- There must be emphasis on cooperative arrangements among the policy makers, law enforcement, regulators and the private sector.
- Authorities should publicly recognize that the risk-based approach will not eradicate all elements of risk.
- Authorities have a responsibility to establish an atmosphere in which money services businesses need not be



Notice

- ◇ The FSRC has developed an AML/CFT Policies and Procedures Manual Template which is now available for purchase at a cost of EC\$ 750.00.
- ◇ The FSRC St. Kitts Branch Quarterly Training Session is scheduled for 25 October 2016 at FND Enterprise Co-operative Credit Union Ltd Conference Room.

Legislative References:

- ◇ Money Services Business Act No. 26 of 2008
- ◇ FATF Recommendations 2012
- ◇ Proceeds of Crime Act, Cap 4.28
- ◇ Anti-Money Laundering Regulations (AMLR), No. 46 of 2012
- ◇ Anti-Terrorism (Prevention of Terrorist Financing) Regulations (ATR), No. 47 of 2011
- ◇ Financial Services (Implementation of Industry Standards) Regulations (FSR)