Annex III

BANK OF SIERRA LEONE

BANKING SUPERVISION DEPARTMENT

ANTI-MONEY LAUNDERING SECTION

AML/CFT RISK MANAGEMENT QUESTIONNAIRE FOR FINANCIAL INSTITUTIONS

Name of the Institution: _____

Completed by: _____

Signature: _____**Date**_____

…….. ……..

Head Compliance **MD/CEO**

Objectives of the Questionnaire

The purpose of this Anti-Money Laundering (AML)/Combating the Financing of Terrorism (CFT) Questionnaire is to assess the adequacy of your policies and internal controls for managing ML/TF risk. The AML/CFT questionnaire is intended to provide an overview of your institution's policies, procedures and internal controls with respect to the management of money laundering (ML)/financing of terrorism (FT) risks and its system of compliance with the applicable legislation and guidelines. You can use the AML/CFT Questionnaire to assess the adequacy and effectiveness of your AML/CFT program and to take corrective action in areas of non-compliance. Such review should ideally focus on those business areas and processes that are more vulnerable to ML/FT risks.

This questionnaire is not a checklist and is neither exhaustive nor prescriptive. It is designed to assist financial institutions (FIs) to focus on the key areas and to enable them to gauge if they are effectively managing their ML/FT risks and complying with regulatory obligations to prevent ML/FT.

The scope and depth of the AML/CFT review should be governed by your institution's size, complexity and susceptibility to money laundering and terrorist financing activities. FIs are expected to have a control environment commensurate to the level of risks undertaken in its activities.

Requirements that relate to institution's responsibility to effectively manage their ML/TF risk arise from (1) the AML/CFT 2012 Act and (2) Banking Act 2011. FIs should also have regard to the Guidelines/Directives on Anti-Money Laundering and Combating the Financing of terrorism issued by BSL and the FIU.

Guidelines for rating the control indicators.

Rating	Descriptor	Definition
1	Strong	The responses to the questionnaire based on the assessment/review of the examiner indicate that there are minor or no short-comings. The FI has policies and internal procedures which fully address the requirements of the Law and internal practices (such as management oversight and implementation) are very strong. As appropriate, consideration may be given to the examiner's knowledge of the institution based on previous experience (for example, general prudential supervision examinations).
2	Acceptable	There are moderate short-comings identified from the FI's responses when considered against the requirements of the Law. Policies and procedures do not appear to cover all aspects of the bank's activities, level of management oversight appears to be sufficient but not indicative of being fully effective for example, in terms of reporting/ensuring that staff comply with internal and legal requirements. As appropriate, consideration may be given to the examiner's knowledge of the institution based on previous experience (for example, general prudential supervision examinations).
3	Needs Improvement	There are major or significant shortcomings - the FIs policy and procedures do not fully address all legal requirements. For example, CDD requirements are not consistent with the Law, the FI does not consider higher risk business relationships, management/board involvement is limited. As appropriate, consideration may be given to the examiner's knowledge of the institution based on previous experience (for example, general prudential supervision examinations).
4	Weak	There are severe shortcomings - the FIs policy and procedures are either absent or inadequate and do not address most of the legal requirements. For example, CDD requirements are lacking or extremely inconsistent with the Law, the FI does not consider higher risk business relationships, management/board involvement is lacking. As appropriate, consideration may be given to the examiner's knowledge of the institution based on previous experience (for example, general prudential supervision examinations).

DESCRIPTION OF AML/CFT PROGRAM

Rating: Use a scale of 1 (Strong), 2 (Acceptable) 3 (Needs Improvement) and 4 (Weak). When assigning a rating, the supervisor must consider the balance between policy and procedures and their implementation. Assessment of implementation will however be largely conducted during onsite inspections.

1	2	3	4	5	6
A. Corporate Governance and Role of the Board	**Citation: Law, Regulation, etc.**	**Yes /No**	**Description provided by the Institution**	**BSL Comments**	**Rating by BSL**
General Policy					
1. Has the Board of Directors adopted and overseen the implementation of an AML/CFT program? Briefly describe its main features and consistency with the AML/CFT legislation.					
2. Has the Board issued specific risk management policies and procedures with respect to ML/FT risks? Are these policies and procedures properly designed to be applied in a risk sensitive manner?					
3. How does the Board communicate and ensure that the AML/CFT program is effectively implemented by all relevant offices or units?					
4. Are policies and procedures periodically reviewed/updated? How often.					
5. Has the Board allocated adequate financial, human and other resources to the compliance function? Risk management function? And internal function?					
Average rating for 1-5 above Corporate Governance and Role of the Board					
Management Information Systems					
1. Do the policies/procedures establish requirements for the management information system in the management of ML/TF risks?					

2. Specifically do the policy procedures require that the MIS facilitate the following: • Recording relevant information on all customers classified on the basis of inherent ML/TF risk • All new customer relationships • All terminated customer relationships • Identifying instances where relationships were not commenced or were terminated for reasons related to ML/TF concerns • Reviewing of customers against databases that contain information relevant to a customer's ML/TF risk profile • Identifying instances where CDD information is outstanding • Maintaining information in a manner that is easily retrievable and that allows reconstruction of transactions • Analyze transactions and customer behavior in a manner that identifies unusual behavior or activity • Raise an alert when unusual or suspicious activity is identified • Raises an alert when a transaction reaches the threshold for cash reporting					
Average rating for 1-2 above Management Information Systems					
B. Risk Management Function	**Citation: Law, Regulation, etc.**	**Yes /No**	**Description provided by the Institution**	**BSL Comments**	**Rating by BSL**
1. Do the policies and procedures define an effective role for a risk management function? Is there a specialized Risk Management group or unit within the institution? If so, does its functions include addressing ML/FT risks?					
2. Does the institution have a policy for conducting periodic ML/FT risk assessment? If so what is the scope and frequency of such assessments i.e. • products/services • customers • geographic location • delivery channels					
3. Are there specific types or categories of products, customers or geographic regions/markets identified as high risk? And how					

many have been identified for each category?					
4. Does the institution consider ML/FT risks in approving expansion of business e.g. new branches, and markets (domestic and foreign), or development of new products? If so, who participates in the assessment of such risks?					
Average rating for 1- 4 above - Risk Management Function					

Recordkeeping	**Citation: Law, Regulation, etc.**	**Yes/ No**	**Description provided by the Institution**	**BSL Comments**	**Rating by BSL**
1. Is there a records retention policy? If so what is it?					
2. How long are customer identification, transactions, suspicious activity reports, etc. maintained?					
3. How are records maintained? Paper, electronically, onsite, offsite storage?					
4. Do the policies require that records must be comprehensive, detailed and maintained in a manner that allows transactions to be easily reconstructed? How often is the system tested?					
5. Describe the procedures for accessing and retrieving AML/CFT related data. How long would it take to retrieve the information for a customer going back 10 years? Has this been tested?					
6. Has there been a request from the authorities (e.g. FIU) for customer data? What were the results?					
Average rating 1- 6 above - Record Keeping					

C. Policies and Procedures: Customer Due Diligence (CDD/KYC)	Citation: Law, Regulation, etc	Yes/ No	Description provided by the Institution	BSL Comments	Rating by BSL
1. Does the FI have written policies and procedures for KYC/CDD principles approved by the board?					
2. Has the FI implemented AML/CFT policies and procedures CDD measures for Customer Identification and Verification with respect to: • Resident individuals • Non-resident individuals • Legal entities: companies, etc. • Beneficial owners • PEPs • Non-profit organizations • Occasional (walk-in) customers • Others					
3. Do the CDD policies and procedures provide for: • Customer Acceptance and Rejection including termination of established business relationships. What types of customers does the institution refuse to do business with and why? • Risk classification of customers and if yes how often is this updated • Enhanced CDD for higher risk customers, products, transactions, etc. • Monitoring of customer accounts and transactions					
4. Do the policies and procedures related to customer due diligence have the flexibility that allows the institution to apply them in a manner commensurate with the risks implicit in different type of customers? If so, please describe.					
5. Do the institution's AML/CFT CDD policies and procedures require to: - • Record information on the purpose and intended nature of the business relationship/transaction. • Specific CDD procedures for PEPs, other high risk customers and transactions, etc. please describe. • Periodically update customer profile records.					

6. Do the identification and verification procedures for all new customers include the following? • Examination of documents for authenticity. • Face-to-face meeting with prospective customers. When is this not required? • Crosscheck information with independent sources. • Conduct stricter verification for customers classified as high risk, linked to high risk business, and/or from high risk countries. • In the case of companies, obtain information on line of business, location, financial statements, expected transaction profile, etc.					
Average rating 1-6 above - Policies and Procedures: Customer Due Diligence (CDD/KYC)					
D. Internal Controls and Internal and External Audit	**Citation: Law, Regulation, etc.**	**Yes/ No**	**Description provided by the Institution**	**BSL Comments**	**Rating by BSL**
1. Does the institution have an Internal Audit Department/function? Does it review and test the AML/CFT program, policies and procedures and in particular those related CDD, STR and record keeping? Is there a specific AML/CFT audit plan?					
2. If (1) above is yes, how frequent is the review conducted? When was the last time internal audit review AML/CFT? Describe the scope of the last review and its findings. Is the Internal audit function documented? If yes provide a copy.					
3. Is the internal audit function with respect to AML/CFT risk-based? Are compliance with policies and procedures for high risk customers, products/services and geographic regions specifically reviewed?					
4. Describe the system of reporting and reviewing the internal audit findings. Who receives such reports? Have any of these reports included AML/CFT issues? If so describe.					
5. What actions have been taken in response to the last internal audit and its findings with respect to AML/CFT?					
6. Are there proper arrangements to ensure appropriate separation of functions and avoidance of conflicts of interest regarding					

management of ML/FT risks?					
7. Does the external auditor's review of the internal control environment cover AML/CFT controls? If yes, what were the findings and how were they communicated to management?					
Average rating 1- 7 above - Internal Controls and Internal and External Audit					
E. Compliance	**Citation: Law, Regulation, etc.**	**Yes/ No**	**Description provided by the Institution**	**BSL Comments**	**Rating by BSL**
1. Do the policies and procedures define an effective role for a group compliance function in the management of ML/TF risks? If so describe its relationship with the operating unit compliance officers.					
2. Has the institution appointed an AML/CFT compliance officer? If so provide the name, functions and position within the organization.					
3. Provide details of the AML/CFT compliance officer's professional qualifications, training, and duties.					
4. Describe the role of the AML/CFT compliance officer in (a) monitoring and reporting of suspicious activities; (b) training; (c) development of risk management systems and controls, (d) reporting breaches of established policies and procedures regarding AML/CFT to senior management; e) other compliance duties, if applicable.					
5. To whom does the compliance officer report and how often? Provide copies of the last 3 reports prepared by the chief AML/CFT compliance officer.					
6. Do the institution's policies and procedures require that laws and instructions from BSL and FIU are followed?					
7. Does each office, branch or subsidiary have a compliance officer or AML/CFT officer? If so describe the relationship with the head office Compliance officer.					
8. Does the AML/CFT compliance officer carry on duties other than AML/CFT? If so, what other functions and what proportion of time is devoted to AML/CFT issues? What financial, human and other resources is the AML/CFT compliance officer provided with					

to fulfil his/her responsibilities?					
Average rating 1-8 above - Compliance					
F. Training and Human Resources	**Citation: Law, Regulation, etc.**	**Yes/ No**	**Description provided by the Institution**	**BSL Comments**	**Rating by BSL**
1. Has the institution's board adopted a formal training program for AML/CFT? What was the AML/CFT training budget for last year? Current year?					
2. Please specify frequency of training provided. When was the last training program delivered?					
3. Who are required to participate in the AML/CFT training? Has board members and senior management participated in AML/CFT training? The compliance officer?					
4. What areas does the training program cover? e.g., AML/CFT basics, FATF Recommendations, national legislations, etc.? Are there tailored AML/CFT training programs designed and implemented consistent with the role that staff members play?					
5. By what means was training provided: • Seminars and workshops • Self-directed • Computer-based • Other (please specify)					
6. Does the institution retain records of its training sessions including attendance records and relevant training materials used? If so provide copies.					
7. What mechanisms are in place to ensure the effectiveness of the training program? Does internal audit review the training program and assess its effectiveness?					
8. Does the FI have an internal human resources policy and procedures that include measures to ensure the integrity of officers/employees?					
9. Does your institution screen prospective employees, (e.g. criminal records, work experience, etc.)? If yes, what other checks and examinations does the FI conduct?					

Average rating 1- 9 above - Training and Human Resources.					
G. Monitoring and Reporting Suspicious Activity Transactions	**Citation: Law, Regulation, etc.**	**Yes/ No**	**Description provided by the Institution**	**BSL Comments**	**Rating by BSL**
1. Is there a requirement that transactions and general customer behavior should be monitored for suspicious and/or unusual activity? How, manually? Automated?					
2. Do the requirements for the monitoring of all transactions and suspicious transaction emphasize the need to do so in a manner consistent with customers' risk profiles? Is there a requirement for enhanced monitoring of transactions related to higher risk customers such as PEPs?					
3. Does the institution have a system for monitoring and reporting unusual and suspicious activity on a group-wide basis from branches and subsidiaries?					
4. What is the procedure applied once an account, transaction or activity is identified as unusual or suspicious? Are these procedures documented? How is the identification communicated to staff?					
5. Who analyzes unusual and suspicious activities detected? Describe the analytical process that is undertaken to decide whether a STR is sent to the FIU. Who makes that decision and is the decision-making process documented?					
6. How many STRs have been sent to the FIU in the past 3 years, by year?					
7. Are there administrative sanctions for employees that do not adhere to the monitoring and reporting policies and procedures? Have any been applied in the last 3 years?					
Average rating 1- 7 above - Monitoring and Reporting Suspicious Activity Transactions					