

Guidance for the AML/CFT Independent Review Report



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Glossary of Terms

- **The Law**

Law No. (20) of 2019 Promulgating the Law on Combating Money Laundering and Terrorism financing.

- **The AML/CFT Rules**

AML/CFT Compliance Rules for Auditors, Dealers in Precious Metals or Precious Stones, Trust and Company Service Providers.

- **The Ministry**

Ministry of Commerce and Industry (MOCI).

- **The Section**

Anti- Money Laundering and Terrorism financing Section under the Companies Affairs Department at the Ministry.

- **The Unit**

Financial Information Unit (FIU) established pursuant to Article (31) of the Law.

- **The Competent Authority**

Any public authority with specific AML/CFT responsibilities.

- **Regulated Entity**

Auditors, Dealers in Precious Metals or Precious Stones, Trust and Company Service Providers, when conducting any of the activities stipulated in Article (1) of the Law.

- **Compliance Officer**

An employee of the regulated entity, who is responsible for managing its compliance with the AML/CFT requirements stipulated in the Law, the Implementing Regulations and the AML/CFT Compliance Rules, and who, in particular, prepares and submits Suspicion Reports to the Unit.

- **Senior Management**

Any natural person or governing body in the Regulated Entity, eligible to make decisions pertaining to the operation and supervision of the regulated entity.



Purpose

The Independent Review Guidance is intended to assist the regulated entities in the discharge of their obligations in conducting ongoing and adequate assessment, review and testing, to verify the extent of their compliance with their applicable AML/CFT policies, as set out in the Decision of the Minister of Commerce and Industry No. (48) of 2020 Promulgating the AML/CFT Compliance Rules for Auditors, Dealers in Precious Metals or Precious Stones, Trust and Company Service Providers referred to hereinafter as the “AML/CFT Compliance Rules”.



Background

The regulated entity must develop an AML/CFT programme that includes the review and testing of its compliance with its AML/CFT policies, procedures, systems, and controls.

Article (6) of the Implementing Regulations of Law No. (20) of 2019 on Combatting Money Laundering and Terrorism Financing promulgated by the Decision of the Council of Ministers No. [41] of 2019, stipulates that financial institutions and DNFbps, herein referred to as “regulated entities”, shall establish programmes against money laundering and terrorism financing, which include the necessary policies, procedures and controls having regard to the risks and the size of the business. These policies include the following:

4 - Independent Audit Unit to Test the AML/CFT Programme.

Pursuant to Article (8/item 5) of the AML/CFT Compliance Rules, the programme must include an independent audit unit for ongoing and adequate assessment, review, and testing, to verify the extent of compliance with policies.

As to Article (13) of these Rules, the regulated entity must apply the AML/CFT programme to all its branches and majority-owned associates in the State or abroad, and must include in this programme, in addition to the procedures stipulated in the referenced Article (8), the following: Providing necessary information, at the financial group level, to the compliance officers, **audit** and AML/CFT officers, concerning customers, accounts and transactions from branches and associates, where necessary for AML/CFT purposes, including information and analysis of unusual or suspicious transactions and activities, suspicion reports and basic information or whatever is useful to submit a suspicious transaction report.

The independent review and testing by the regulated entity to verify the extent of its compliance with the policies, procedures, systems, and controls must include the following:

1. The review and testing of the regulated entity's compliance with its AML/CFT policies, procedures, systems and controls must be adequately resourced and must be conducted at least once every two (2) years by the internal audit unit or by the compliance officer from any other branch of the entity. The review and testing may be also conducted by an external auditor or a person with the required professional competence, qualifications, and skills, as well as integrity and independence.

Note: Testing includes, for example, sample testing the regulated entity's AML/CFT programme, screening of employees, record-making and keeping, and ongoing monitoring of customers.

2. Making and keeping records on the findings of the independent review and testing. The regulated entity must take the necessary measures to conduct the review and testing set out in item (5) of Article (8), and must provide the Section with a copy of the records by 31 July 2021 and every 2 years thereafter.

Senior Management responsibility under Article (15) of the AML/CFT Compliance Rules.

The Senior Management must particularly ensure:

4 - That independent review and testing are conducted to ensure compliance with the applicable policies at the regulated entity, including an assessment and review of the policies pursuant to the provisions stipulated in Article (8) of the AML/CFT Compliance Rules.

Pursuant to Article (23) of the AML/CFT Compliance Rules, the annual report on AML/CFT issues provided by the compliance officer to the Senior Management, must include the outcome of any relevant quality assurance or audit reviews in relation to the regulated entity's applicable policies.

The Senior Management must, on a regular basis and in a timely manner, take reasonable measures to address deficiencies identified by the compliance officer, in the reports it receives periodically or upon its request, including the adoption of an action plan to remedy the deficiencies, to enable it to discharge its responsibilities in accordance with the AML/CFT requirements of the Law, its Implementing Regulations and the AML/CFT Compliance Rules (Article 16).





Coverage Period

The AML/CFT independent review must be completed at least once during the period from 1 July 2019 to 30 July 2021, and every two years thereafter.



Deadline for Submission

The regulated entities are required to submit a copy of the independent review report to the MOCI no later than 31 July 2021, via the Section's email. (Please refer to Circular No. (7) of 2020 on the Implementation of the AML/CFT Compliance Rules for Auditors, Dealers in Precious Metals or Precious Stones and Trust and Company Service Providers available on the webpage of the Anti-Money Laundering and Terrorism Financing Section- National and International Legal Framework-Circulars).



Incomplete Reports

Should reports be materially incomplete, resubmissions are requested by the reporting entities.



Suitability of the Reviewer

Skills, knowledge, and experience

The person conducting the review must have appropriate AML/CFT skills, knowledge, and experience; and be professionally competent. The independent reviewer must undertake the review with due skill, care, and diligence.



Independence of the Reviewer

The person conducting the review should be independent of the function being reviewed and the division, department, unit, or other parts of the entity where that function is performed.

Further, the regulated entities and independent reviewers must ensure that there is no actual or potential conflict of interests. If there is a conflict, the independent reviewer must refrain from conducting the review.



Who Can Perform the Independent Review?

The internal audit unit or the regulated entity's internal auditor, risk specialist, consultant, or compliance officer from another branch of the entity.

The review can also be conducted by an external auditor or a person with the required professional competence, qualifications and skills, as well as integrity and independence. (Article (8) of the AML/CFT Compliance Rules).



What are the responsibilities of the senior management when the Review is Conducted by the External Auditor?

Where the regulated entity's external auditor is engaged to conduct the independent review, the regulated entity' Senior Management or Audit Committee must consider the auditor's independence and ensure it expressly state to the auditor, that the review is not conducted as being the regulated entity's auditor but as an independent reviewer, and that the review is independent of the audit process.



Scope of the Independent Review Report

Pursuant to Article (8/ Paragraph 3) of the AML/CFT Compliance Rules, "Testing includes, in particular, the regulated entity's AML/CFT programme, screening procedures of employees, record making and keeping and ongoing monitoring of customers".

Practically, the scope of the independent review should address, at a minimum, the following:

1. Overall integrity and effectiveness of the regulated entity 's AML/CFT compliance programme, as stipulated in the AML/CFT Law, its Implementing Regulations and the AML/CFT Compliance Rules, including policies, procedures, systems and controls.
2. Integrity and accuracy of management information systems used in the AML/CFT compliance programme.
3. Adequacy, quality, scope, and frequency of the regulated entity's AML/CFT assessments, including documented Business Risk Assessments, threat assessment methodology, and the risk profiling of a business relationship.
4. Customer Due Diligence (CDD) measures, including customers identification programmes as per their relevant risk profile, and identification of beneficial owners, using relevant information or data from a reliable source.
5. Adequacy of customer due diligence (and enhanced due diligence) policies, procedures, and processes, and whether they comply with both internal and relevant regulatory requirements.
6. Adequacy of measures to reduce the risks associated with establishing and maintaining business relationships with Politically Exposed Persons (PEPs), their family members and associates.

7. Adequacy of due diligence performed for customers' sources of funds and wealth.
8. Funds received into the regulated entity's account, related to customer transactions, being verified for money laundering and terrorist financing risks.
9. Customer file reviews and the testing performed to assess compliance with Chapter 4 of the AML/CFT Compliance Rules (Know Your Customer and Relevant Measures).
10. Adequacy of the regulated entity's ongoing monitoring programmes, including appropriate transaction testing, with particular emphasis on high-risk operations (products, services, customers, and geographic locations) and the screening of customers, transactions, and accounts.
11. Adequacy and effectiveness of the sanctions screening process and the implementation of the target financial sanctions.
12. Assessment of the overall process for identifying and reporting suspicious transactions/ activities, including a review of internal and external Suspicious Transaction Reports to determine their accuracy, timeliness, and completeness, and overall effectiveness of the regulated entity's policy.
13. Screening for the implementation of Know Your Customer measures.
14. Review of the AML/CFT training programme to determine its comprehensiveness and effectiveness, including a review of the accuracy of materials, the training schedule, and attendance tracking.
15. The regulated entity's consideration of guidance papers issued by the MOCI, NAMLC, QFIU, or competent authority, and implementation of appropriate action.
16. Evaluating management's efforts to resolve violations and deficiencies noted in previous tests or audits and regulatory reviews, and towards promoting a regulated entity-wide AML/CFT compliance culture within the firm.
17. Documentary evidence of compliance and recordkeeping requirements.
18. Employees adherence to the regulated entity's AML/CFT policies, procedures, and processes.
19. Any other matters that the independent reviewer deems important based on the regulated entity's nature, scale, and complexity.



Content of the Independent Review Report

The report must contain supporting documentation and resulting conclusions regarding the AML/CFT programme's efficiency, in addition to recommendations and proposals, to ensure ongoing compliance of the regulated entity with the AML/CFT Compliance Rules and other relevant legislation or regulations.

Written reports must also include the testing results (such as the percentage of customer files reviewed, testing in relation to the source of funds and wealth, employee files, etc.) and recommendations for improvements, as relevant and appropriate.



Outcome of the Report

Should the review identify any findings, deficiencies, and recommendations, Senior Management must address the issues identified and be responsible for adequate remediation and closure within the agreed timelines. This must be included in the report.



Conclusion and Rating

The independent review report must include a summary of the review and the assessment of the overall AML/CFT framework of the regulated entity. A detailed and overall rating of AML/CFT controls must be provided using the scale of: Good, Acceptable, Needs Improvement, or Deficient.



Responsibility and Accountability

The regulated entity's Senior Management and independent reviewer are responsible for conducting appropriate and ongoing assessment, review and testing; and are accountable for ensuring that the independent review is conducted as per the relevant rules and the Guidance.



Record Keeping

Pursuant to Article (88) of the AML/CFT Compliance Rules, all records, documents and data of all local and international transactions and operations must be kept by the regulated entity for at least ten (10) years after the date on which the transaction or operation ends.

All engagement letters, working notes, sample testing, and other records related to the review must be also retained for a minimum period of ten (10) years.



Method of Submission

The report is to be submitted via Email to the Anti-Money Laundering and Terrorism Financing Section.



Queries

Should you have any queries regarding the above, kindly send your query by email to control.aml@moci.gov.qa.



Annexure 1 – Acknowledgement (To be completed by the Reviewer)

| | |
|--|---------------------|
| Name of the independent reviewer | |
| Designation and role of the reviewer (if the review is conducted internally) | |
| Designation and name of the regulated entity (if the review is conducted by an external firm) | |
| AML/CFT skills, knowledge, and experience of the reviewer | |
| Confirmation that the reviewer is independent | |
| Confirmation that the independent review guidance was considered for the review | |
| Starting Date of the review | /..... /..... |
| Ending Date of the review | /..... /..... |
| Date when the independent review report was completed and provided to the regulated entity's Senior Management | /..... /..... |

Acknowledgement from the independent reviewer

I /
.....

hereby confirm that I conducted the independent review. (Further, I confirm that I was independent to conduct the review). I understand that the Ministry of Commerce and Industry (MOCI) will rely in its assessment on my review, particularly the status of AML/CFT compliance with the AML/CFT Compliance Rules, findings, deficiencies, recommendations, and relevant action points highlighted in the report.

Signature of the reviewer.....

Date...../.... /.....