Other AML Areas - Wire Transfers and Non-Profit Organisations

As we come to the end of our AML series, we would like to discuss two final areas: Wire Transfers and Non-Profit Organisations.

Wire Transfers

Anti- Money Laundering ("AML") includes far more than just preventing traditional money laundering. It is imperative, therefore, that Registrants are aware of the Money Laundering ("ML") and Terrorist Financing ("TF") risks inherent in facilitating wire transfers on behalf of others. Registrants are required to maintain policies and procedures for facilitating wire transfers which must be incorporated into their AML/CFT compliance regime. Registrants must report large cash transactions and retain records on wire transfers regardless of whether any potential criminal activity is suspected or not. Section 34 of the Proceeds of Crime Act ("POCA") states that the information accompanying a domestic or cross-border transfer shall consist of:

- the name of the originator of the transfer;
- the address or a national identification number or a passport number of the originator;
- the account number of the originator and in the absence of an account, a unique transaction reference number which permits tracing of the transaction;
- the name of the beneficiary; and
- the beneficiary account number where such an account is used to process the transactions or, in the absence of an account, a unique transaction reference number which permits tracing of the transaction.

Where a financial institution has several individual cross-border or domestic wire transfers from a single originator, and a series of transactions are bundled in a batch file for transmission to beneficiaries, the institution has to ensure that:

- the batch file contains the required and accurate originator information and beneficiary information, that is fully traceable within the beneficiary country; and
- the account number of the originator or unique transaction or reference number is included.

A beneficiary financial institution that receives funds from an originator; and an intermediary financial institution, that acts between the originator and the beneficiary financial institution shall:

- take reasonable measures to identify domestic and cross-border transfers that lack the required originator or beneficiary information; and
- have risk-based policies and procedures to–

(i) execute, reject or suspend a wire transfer lacking the required originator or beneficiary information; and

(ii) determine follow-up action in respect of subparagraph (i).

A financial institution that participates in a business transaction via wire transfer shall relay the identification data about the originator and recipient of the funds transferred, to any other financial institution participating in the transaction. Where the originator of the wire transfer does not supply the transfer identification data requested by the financial institution, the transaction shall not be effected and a Suspicious Activity Report ("SAR") shall be submitted to the Financial Intelligence Unit of Trinidad and Tobago ("FIUTT").

The Trinidad and Tobago Securities and Exchange Commission's ("TTSEC's") AML/CFT Guidelines for the Securities Sector also state that Registrants are required to conduct the necessary due diligence including the verification of client identity in circumstances which may include but not be limited to:

(i) one-off wire transfers of a value equivalent to TT$6,000 or more; and
(ii) for two or more one-off wire transfers which appear linked and which in total amount to a value equivalent to TT$6,000 or more.

Moreover, Registrants are mandated to retain these records in electronic or in written form, for a period of six years to enable the financial institution or listed business to comply with lawful requests for information from auditors, other competent authorities and law enforcement authorities that request these records, for purposes of criminal investigations or the prosecution of persons charged with criminal offences.

Non-Profit Organisations ("NPOs")

A potentially vulnerable group within our society are Non-Profit Organisations ("NPOs") /Non -Governmental Organisations ("NGOs"). The Non-Profit Organisations Act, 2019 ("NPO Act") was enacted to introduce provisions to ensure that NPOs are not misused by terrorist organisations seeking to pose as legitimate entities; seeking to exploit legitimate entities as conduits for TF or seeking to conceal or obscure the clandestine diversion of funds initially intended for legitimate purposes but diverted to fund terrorist activity.

Charities and NPOs may be open to abuse by terrorist groups often by diverting funds originally raised for humanitarian purposes. It is therefore of vital importance that Registrants carry out the appropriate Customer Due Diligence ("CDD") and Enhanced Due Diligence ("EDD") to ensure that they know their NPOs.

Recommendation 8 of the FATF 40 Recommendations places an obligation on countries to ensure that the laws and regulations that relate to NPOs are adequate to protect NPOs from TF abuse. The common methods of abuse identified include the:

1. diversion of funds (by actors internal and external) to NPOs;
2. affiliation with a Terrorist Entity;
3. abuse of Programming;
4. support for Recruitment; and
5. false Representation and Sham NPOs.

An effective approach to protecting NPO sectors involves four key elements:

1. ongoing outreach to the sector,
2. proportionate risk-based supervision and monitoring,
3. effective investigations and information gathering, and
4. effective mechanisms for internal cooperation.

Combatting Money Laundering, Terrorist Financing and Proliferation Financing is the responsibility of both the Regulator and the Registrant. Registrants must ensure that their AML/CFT policies, procedures, and practices are robust to protect against AML/CFT related crimes. In addition, as the Supervisory Authority for the securities sector, the Trinidad and Tobago Securities and Exchange Commission will continue to monitor the market to decrease the vulnerabilities and risks which may exist within the local securities industry and take steps to mitigate the potential risks.

END

For more information, please visit our corporate website, **www.ttsec.org.tt**.
You may also visit our Investor Education website at **www.investucatett.com** or
connect with us via any of our social media handles:

Published Article – Business Express Newspaper
August 5, 2020