



THE INSURANCE COMMISSION  
OF THE BAHAMAS

# *AML/CFT/CFP Supervision: Insurance Sector*

# Agenda

- ▶ Supervisory Strategy
- ▶ Risk Based Supervision
- ▶ AML/CFT Supervision
- ▶ Frequently Asked Questions



# Supervisory Strategy

- ▶ Compliance with IAIS Insurance Core Principles
- ▶ Promoting international best practices
- ▶ Proportionality Principle
- ▶ An integrated approach
- ▶ Adapting not re-inventing
- ▶ Developing staff/ building capacity
- ▶ Leveraging of governance and risk management practices
- ▶ Risk Based Supervisory Methodology

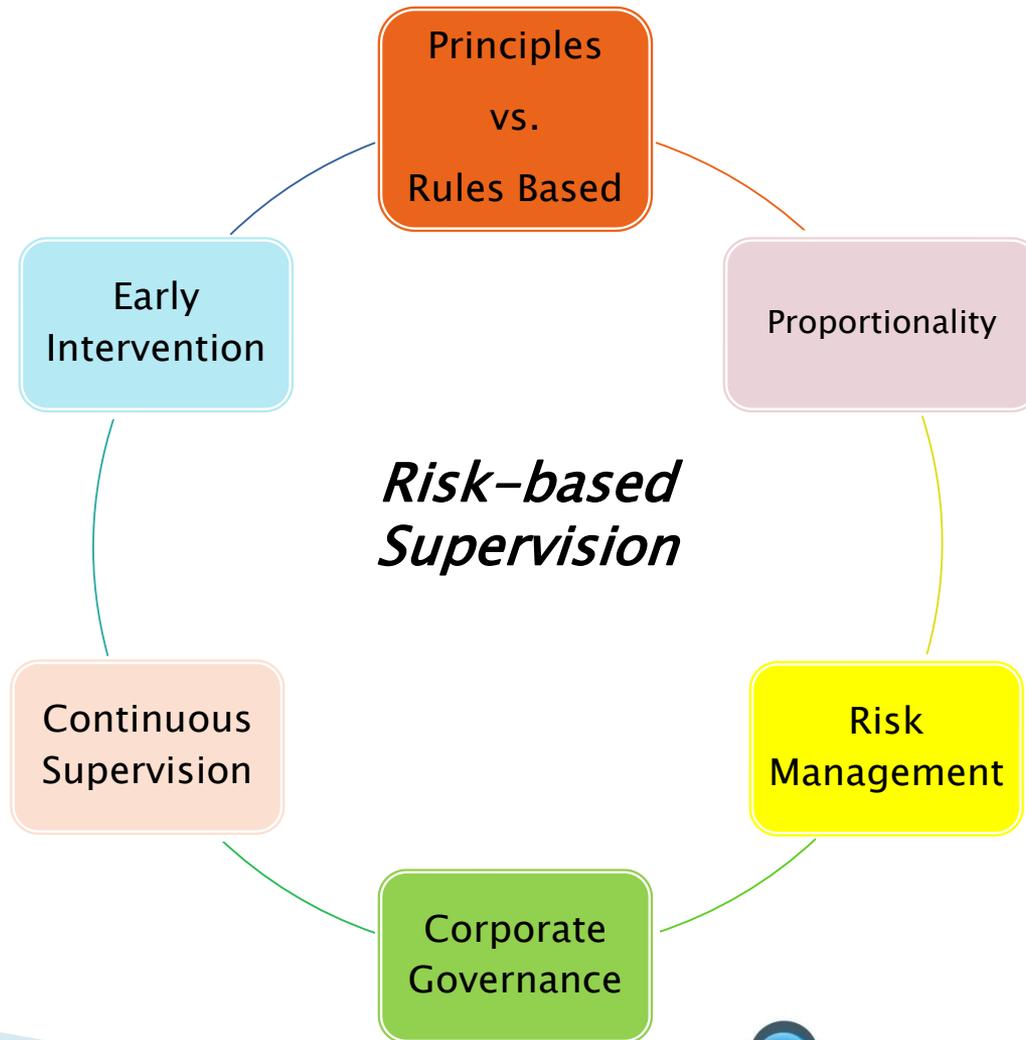


# Overview of Risk Based Supervision

- ▶ Identification of potential risks
- ▶ Assessment of mitigating factors
- ▶ Determination of Residual Risk
- ▶ Channel supervisory resources to high risk areas
- ▶ Early Intervention/ Proactive/Forward Looking



# Principles of Risk Based Supervision



# AML/CFT Supervision

- ▶ Off-site Monitoring
  - Annual Exam/ Review (independent auditor)
  - Risk Assessment
  - AML/CFT Policy
  - AML/Risk Matrix (update)



# AML/CFT Supervision

- ▶ Onsite Examination
  - AML/CFT Focus Examination
    - Routine
    - Follow-up
    - Random
    - Special
  - AML/Risk Matrix (update)



# AML/CFT Supervision

- ▶ Sanctions for non-compliance
  - Administrative Penalties
  - Penal Sanctions
  - Other penalties



# AML/CFT Risk Matrix

**AML/CFT INHERENT RISKS – (risks before mitigation)**

L	Lower than average	= 1
M	Medium	= 2
AA	Above Average	= 3
H	High	= 4

Probability of exposure to money laundering, sanctions or bribery and corruption risk in the absence of any control environment

**AML/CFT CONTROLS**

S	Strong	= 1
A	Acceptable	= 2
NI	Needs Improvement	= 3
W	Weak	= 4

Controls are programmes, policies or activities put in place by the financial institutions to protect against the materialization of ML risk or to ensure that potential risks are promptly identified and addressed

AML/CFT INHERENT RISK					AML/CFT GOVERNANCE & CONTROLS			
Types of Products and Services	Distribution Channels	Clients	Experience level/ Knowledge of Employees and Intermediary	Database Systems Used (Unification of System)	Board and Board Committees	Policies and Procedures	Customer Due Diligence	Monitoring and Controls

**OVERALL ASSESSMENT**

AML/CFT Risk Rating	
AML/CFT Governance Rating	
AML/CFT Controls Rating	
<b>NET AML/CFT RISK</b>	



# Guidelines and Policies AML/CFT Supervision – Insurance Sector

- ▶ AML/CFT Guidelines for Insurance Companies [updated Sept 2018]
- ▶ AML/CFT Examination (Independent Auditors) [updated 2018]
- ▶ Guidance Notes on Proliferation Financing
- ▶ Guidance Notes on Financial Crime Risk Management



# Guidelines and Policies AML/CFT Supervision – Insurance Sector

- ▶ AML/Ladder of Supervisory Intervention for AML/CFT [under review]
- ▶ Guidelines for Fitness and Propriety of the MLRO [under review]
- ▶ Guidelines for Fitness and Propriety of the Compliance Function [in development]



# AML/CFT Compliance FAQs

- ▶ Who is responsible for compliance?
  - Insurer
  - Intermediary
  
- ▶ What is new for Long-term Insurers?
  - Annual Risk Assessments
  - Mandatory Compliance Officer



# AML/CFT Compliance FAQs

- ▶ What is required for General Insurers?
  - Suspicious Transaction Reporting
  - AML/CFT Policies
    - Suspicious Transaction Reporting
    - CDD/EDD
    - Designated Person
    - AML Training
  - Annual Risk Assessment
  - Annual Review (independent auditor)
  - AML/CFT Focused Onsite Exam (ICB)



# Questions or Comments

