



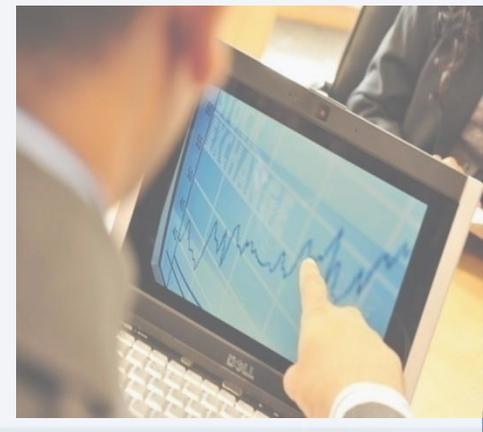
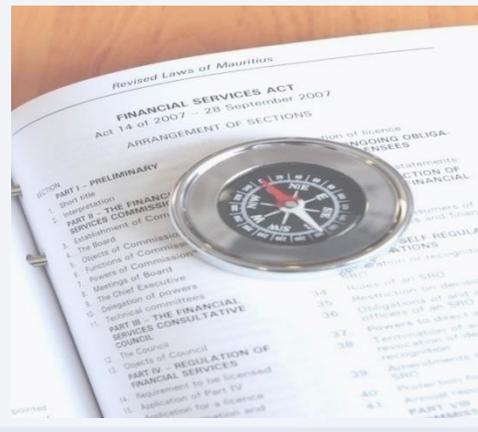
**Financial Services Commission**  
Mauritius



# Insurance Workshop on AML/CFT

Presented by: Ms Clairette AH-HEN

Date: 27 August 2014



# Insurance Workshop on AML/CFT

## Agenda

- ↪ Legal Framework
- ↪ Assessment by International Organisations
- ↪ Role of FSC
- ↪ Insurance Sector Vulnerabilities
- ↪ FSC AML/CFT Code
  - ↪ Major requirements
- ↪ Risk Based Approach
  - ↪ AML/CFT Programme
  - ↪ Effective Customer Risk Assessment

# Legal Framework

# Legal Framework

## Financial Services Act 2007 [Section 6(g) – Functions of the FSC]

- **“To carry out investigations and take measures to suppress illegal, dishonorable and improper practices, market abuse and financial fraud [including ML] in relation to any activity in the financial services sector and global business sectors”**

## Insurance Act 2005 – Section 3(2)(d)

- **“reducing as far as is reasonably possible the risk that the insurance business is used in furtherance of, or for a purpose connected with, a financial crime.”**

## FIAML Act – Section 18(1c)

- **“The Financial Services Commission shall supervise and enforce compliance by financial institutions with the requirements imposed by this Act, regulations made under this Act and such guidelines as it may issue under paragraph (a).”**



# Assessment by International Organisations

# Assessment by International Organisations

## Financial Action Task Force

40  
Recommendations  
– Feb 2012

## International Association of Insurance Supervisors (IAIS)

Guidance Paper  
on AML/CFT –  
Oct 2004

## IMF/World Bank Assessment

Financial Sector  
Assessment  
Program

Last Assessment  
– Report issued  
in Dec 2008

## Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG)

Continuous  
monitoring of  
progress made on  
the  
recommendations

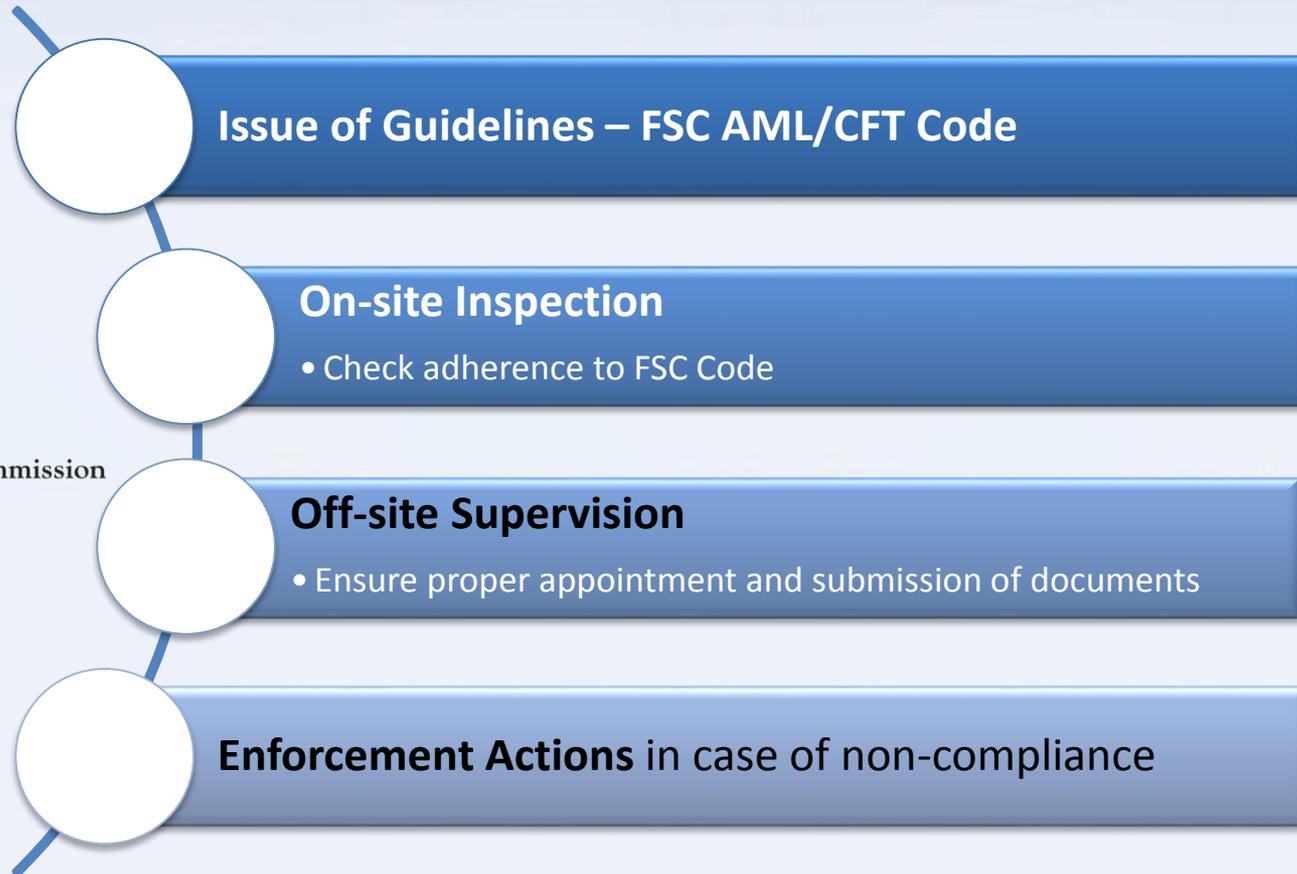
A background image showing several people in business attire sitting around a table, writing on documents. The image is semi-transparent, allowing the text to be clearly visible. The people are focused on their work, with their hands and pens visible as they write on white papers.

# **Role of FSC**

# Role of FSC



Financial Services Commission  
Mauritius



A background image showing several people in business attire sitting around a table, writing on documents. The image is semi-transparent, allowing the text to be clearly visible.

# **Insurance Sector Vulnerabilities**

# Insurance Sector Vulnerabilities

## Vulnerabilities depend on factors

- complexity and terms of the contract,
- distribution,
- method of payment (cash or bank transfer)

## Duty of vigilance:

- customer due diligence (CDD), including underwriting checks and verification of identity;
- recognition and reporting of suspicious customers/transactions; and
- provisions affecting the organisation and the staff of the insurer, *such as a compliance and audit environment, keeping of records, the recruitment of staff and training.*

# **FSC AML/CFT Code**



Financial Services Commission  
Mauritius

# FSC AML/CFT Code

## FSC Code issued in March 2012

- Applicable to all Licensees
- Licensees defined under the FIAMLA, including insurers, insurance brokers, insurance agents and salespersons

## FSC Code – Statement of minimum criteria

### Regular updates of the FSC Code (from 2005 to 2012)

- Non-compliance with the Code exposes the licensee to regulatory action including a direction under section 7(1)(b) of the FSA to observe the Code.

Failure to comply with the direction may lead to criminal action and to regulatory action.

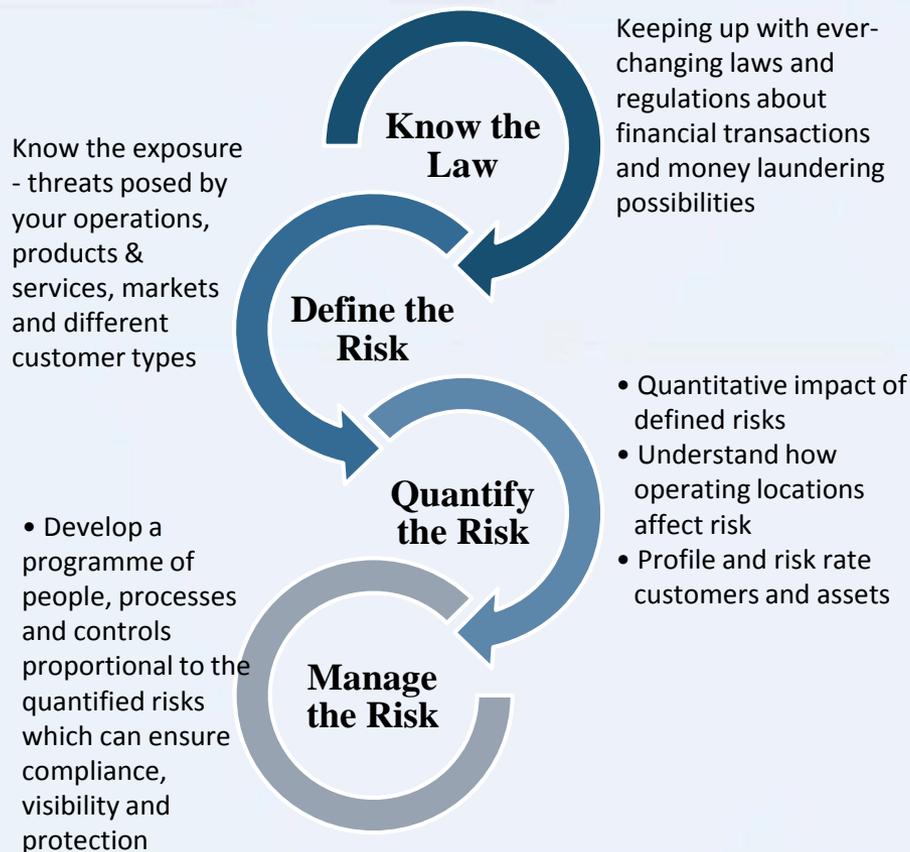
# FSC AML/CFT Code



# Risk Based Approach

# AML/CFT Programme

The primary reasons for an effective AML-CFT programme include legal compliance, reputation management, protection from criminal prosecution and just not wanting to handle dirty money.



- Define corporate roles & responsibilities
- Determine risk-based due diligence
- Designate risk categories
- Build suspicious activity controls

## DESIGN

- Establish policies, procedures, and operating models
- Conduct training
- Utilise technology to monitor, review, escalate, and report suspicious activities

## IMPLEMENT

- Regularly test controls
- Monitor personnel
- Evaluate data
- Ensure proper channeling communication of suspicious activity

## TEST & ANALYSE

- Report suspicious activity and system weaknesses for analysis
- File Suspicious Activity Reports (with FIU)

## REPORT

## CONSTANT IMPROVEMENT

Continually capture and update the understanding of threats and system weaknesses to influence continued evolution of an effective AML programme

# Effective Customer Risk Assessment

## Customer Identification Program (CIP)

Who is the Customer?

Where do they do Business?

What is the Product /Service?

How do they do Business?

With whom do they do Business?

### CUSTOMER DUE DILIGENCE

- If initial due diligence yields suspicious results or the information obtained is not sufficient to evaluate the risk of a customer, an escalated review is applied which may include both automated and additional human review of both the customer activity and other information.

### ENHANCED DUE DILIGENCE

- If due diligence procedures have either raised suspicions about a customer or have not painted as full a picture as needed to evaluate risk or the customer as a class (e.g. Politically Exposed Persons ("PEPs")) represents a higher degree of risk, additional due diligence is needed.
- Further investigation may lead to the decision that the customer represents too much risk to the business.

### SIMPLIFIED DUE DILIGENCE

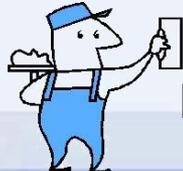
- Each customer will undergo some measure of due diligence, beginning with initial due diligence processes beyond CIP.
- Customers with few risk factors, for example well known large public companies and customers utilizing some types of low-risk products or services, may only require a simplified due diligence process.

### ONGOING MONITORING

- Once the customer has been taken on board, ongoing monitoring is essential in identifying Customer Risk before it becomes a problem.

# Category of Risk Profile for Licensees

Licensees will fall into one of the following risk profile

 <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Monitoring</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">High</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Low</p>	<p>This would apply to Licensees who are undergoing a change in both business and control environment either as a result of the changing business plan or to correct control deficiencies.</p>	<p>These Licensees are the ones that the FSC will be most concerned about and where close monitoring, focussed visits and regular contacts are required.</p> 	
	<p>This could apply to start-up companies.</p>		<p>Licensees where a remediation programme is necessary to improve their risk profile.</p>
	<p>Licensees that have strong control environment supported by good governance as well as a stable business plan and who generally are lower impact entities.</p> 	<p>Licensees that are making improvements to their control environment and regulatory compliance arrangements, and are operating in a stable business environment.</p>	
	 <p>Low <span style="margin-left: 200px;">High</span></p> <p style="text-align: center;">Remediation</p> 		

# Any Questions



# Conclusion

- ↪ The Insurance Sector remains possible targets for money launderers
- ↪ Build compliance culture
- ↪ Uphold the reputation of the jurisdiction
- ↪ Strike the right balance of regulation



# THANK YOU FOR YOUR KIND ATTENTION

## **Vision**

*“To be an internationally recognised Financial Supervisor committed to the sustained development of Mauritius as a sound and competitive Financial Services Centre”*



**Financial Services Commission**  
Mauritius

**54 Ebene Cybercity  
Mauritius**

**Tel: (230) 403 7000  
Fax: (230) 467 7172**

**Email: [fscmauritus@intnet.mu](mailto:fscmauritus@intnet.mu)  
[www.fscmauritus.org](http://www.fscmauritus.org)**