



Financial Analysis and Supervision Unit

**Note to the *AML/CTF Compliance (AML/CTF Program)*
*Rule (No. 1 of 2019)***

Issued by the Financial Analysis and Supervision Unit on 20th May 2019

Purpose of the AML/CTF Compliance Rule

The *AML/CTF Compliance (AML/CTF Program) Rule* (No. 1 of 2019) (**Compliance Rule**) will assist you to meet your obligations under the *Anti-Money Laundering and Counter Terrorist Financing Act 2015 (Act)*.

If you comply with the Compliance Rule, you will satisfy the obligations in the Act to which the Compliance Rule relates. This will assist you in demonstrating to the Financial Analysis and Supervision Unit (**FASU**) steps you have taken to effectively implement the Act.

Your efforts are critical to preventing the flow of illicit funds and the profits from crime. This will strengthen the financial integrity of PNG's financial system, and contribute to the country's social and economic growth.

Interpreting the AML/CTF Compliance Rule

Terms used in this Compliance Rule have the same meaning as in the Act. Key terms which are defined in section 5 of the Act include:

- AML/CTF compliance rule;
- AML/CTF program;
- DNFBP;
- financial institution; and
- risk assessment.

AML/CTF program (fit and proper person criteria) – Section 7(3)(e)

The credibility of an effective and efficient AML/CTF system hinges on the probity of your employees, due to their exposure to sensitive and confidential information. This is particularly critical with the appointment of an AML/CTF compliance officer, given her or his pivotal role in the AML/CTF system.

Therefore, one of the key components of your AML/CTF program is to include effective procedures, policies and controls for vetting an employee to ensure she or he is a fit and proper person to engage in AML/CTF related duties. This will assist you in preventing criminal proceeds being channelled through your businesses.

The Compliance Rule sets out fit and proper person criteria to ensure a very high standard of probity when appointing an employee and evaluating the ongoing performance of an employee that is engaged in AML/CTF related duties. The application of fit and proper person criteria will be determined by the nature and level of money laundering and terrorist financing risk identified in your risk assessment.

If your AML/CTF program provides for these fit and proper person criteria, you will satisfy the obligations in Section 7(3)(e) of the Act.

AML/CTF program (training employees) – Section 7(3)(f)

It is your responsibility to provide training to an employee engaged in AML/CTF duties. The purpose of this training is to enable your employees to understand their obligations under the Act, consequences of non-compliance, money laundering and terrorist financing risks you face, and the policies, procedures and controls outlined in your AML/CTF program. This is pivotal to ensuring your AML/CTF program is effective in practice.

If your AML/CTF program provides for training of your employees on the matters listed in the Compliance Rule, you will satisfy the obligations in Section 7(3)(f) of the Act.

Addressing deficiencies in a risk assessment and AML/CTF program – Section 9 (1)(b)

You must ensure your risk assessment and AML/CTF program are current. This will require you to conduct regular reviews and periodically engage an external auditor to independently review your risk assessment and AML/CTF program. FASU may also appoint an auditor to conduct an independent audit.

- If you take into account any recommendations to address deficiencies identified in your risk assessment or AML/CTF program, you will satisfy the obligations in Section 9(1)(b) of the Act. This includes recommendations from your internal reviews, external auditors and FASU.

Application and commencement of the AML/CTF Compliance Rule

The Compliance Rule applies to all financial institutions and DNFBPs located in PNG. This includes foreign branches and majority-owned subsidiaries of a financial institution or DNFBP in PNG.

The Compliance Rule commenced on **20th May 2019**.