



# Supervising Compliance With AML/CFT Requirements

The changing regulatory and supervisory environment

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# The changing regulatory and supervisory environment

- ML/FT is a banking risk
  - Operational risk
  - Compliance risk

Corporate governance

# Operational Risk

- Operational risk (Basel Committee)
  - Risk of loss resulting from inadequate or failed internal processes, people or systems or from external events
  - Include legal risk, but exclude strategic and reputation risk

# Operational Risk

- Operational risk
  - Internal and external fraud
  - Clients, products and business practices
  - Execution, delivery and process management

# Operational Risk

- Operational risk BCP 15
  - Risk management policies and processes to identify, assess, monitor and control/mitigate operational risk

# Operational Risk

- Basel II
  - Clearly identify and segregate operational risk
  - Incentive for banks to improve operational risk management

# Compliance Risk

- **Basel Committee**
  - Compliance risk is the risk of legal or regulatory sanctions, material financial loss, loss to reputation a bank may suffer
  - as a result of its failure to comply with laws, regulations, rules, related SRO standards, and codes of conducts applicable to banking activities

# Compliance Risk

- Compliance risk management:
  - Identify
  - Measure
  - Monitor
  - Control

compliance risks in products and business lines



# Compliance Risk

- Compliance risk management:  
from a concept to a function
  - Independence
  - Resources

# Compliance Risk

- Compliance risk management
  - Board and senior management oversight
  - Policies and procedures
  - Internal control
  - Monitoring and reporting
  - Training

# Corporate Governance

- Board and senior management must assess quality of corporate governance
- and ensure effective accounting practices, internal control and audit functions

# Corporate Governance

- Forward looking approach to risk management
  - From the balance sheet and the income statement
  - To management and controls

# Corporate Governance

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with laws and regulations

# Corporate Governance

- Board of directors, audit committee
- CEO, CFO and senior management
- External auditors
- Internal auditors