

COMPLIANCE WITH AML OBLIGATIONS DURING COVID-19



Like all other industries and professions, the accounting/audit profession has also been severely impacted by the current pandemic. Unprecedented times such as these may lead to a significant reduction in business and increased stress on staff and some subject persons might be tempted to open their doors wide open for any business which comes their way. Such times are, however, also a great opportunity for money launderers and terrorist financiers to take advantage of limited or decreased resources and seek to carry out their illegitimate activities by penetrating new markets. Several warnings to this effect, in fact, have been released by international standard-setting bodies and by domestic regulators.

It is, therefore, important for all our members to be on the look-out for such threats in order to ensure, at all times, compliance with their AML/CFT obligations and act as a filter for any such unlawful activity.

Through this Notice, the MIA would like to remind all its members of specific red flags and certain risk factors (the matters listed below are not intended to be exhaustive) that may arise during this period and urge them to be alert and take the necessary action:

1 Business activity and continuity

As a result of the pandemic, businesses may review or change their business model, main activities and the volumes of such activities, as well as key personnel, to try and mitigate possible negative financial repercussions. In line with this, subject persons should regularly monitor their client's business to keep updated client profiles and risk assessments, based on identified changes, as well as continuously assess the rationale behind the implemented business changes. Activity volume changes should be benchmarked with the subject person's established expectation and should there be significant deviations, the necessary justifications should be sought, assessed for reasonableness and adequately documented in the client's file. CDD policies and procedures might need to be reviewed and adapted to these extraordinary circumstances.

2 Client relationships

Even though social distancing restricts face-to-face meetings, ongoing client relationships must be maintained through virtual meetings. Subject persons must monitor possible changes in their clients' behaviour, particularly in relation to transaction processing. Advantage might be taken of the lack of physical presence of key persons, in order for clients to process particular transactions or change transaction processing instructions. Effective controls must be implemented by subject persons to ensure that any changed instructions are identified and verified and urgent transactions processed, assessed and justified.

Subject persons must also be on the look out for money launderers and terrorist financiers, who might use social distancing to their advantage and seek to establish new remote contacts with professionals. All the necessary due diligence, prior to onboarding new clients, must continue being meticulously exercised, so as to ensure that only clients with a legitimate business are onboarded. Verification measures and background checking might need to be

further enhanced to obtain reasonable corroborative evidence regarding the new client's identity. Risk assessments need to be revised to cater for the emerging money laundering and terrorist financing risks, businesses may be exposed to during these difficult times. It remains essential to report suspicious transactions to the Financial Intelligence Analysis Unit (FIAU).

The above presents only a few factors which might act as red flags for subject persons. It is important for subject persons to keep their staff members up-to-date with changes in AML/CFR policies and procedures, as well as with their respective AML/CFT obligations.

Summary of key action points for subject persons:

- Liaise with clients and ascertain how the current pandemic is expected to impact their business. Establish what the subject person's concerns might be.
- Update clients with new workplace policies and procedures adopted by the subject person in view of the pandemic.
- Conduct increased monitoring of transactions and changes in clients' business activities.
- Ensure that the economic profile of clients is updated in line with any such changes.
- Take note of any changes from the original or routine instructions received from clients.

When onboarding new clients, subject persons need to:

- Conduct the necessary background checks to identify and verify activity and documents submitted by the client.
- Ensure the proper implementation of the risk assessment and that the customer due diligence procedures applied are aligned with the risk classification.
- In high risk cases, intensify the requirements for approval of the new client.

Overall, the below measures should be implemented by subject persons:

- Update their business risk assessment to factor in the new threats and vulnerabilities caused by the pandemic.
- Consider using digital tools to provide services that are secure and do not give rise to any risk of data breaches.
- Utilise online background screening tools, sanction lists and conduct daily online searches for new information.
- Scrutinise any available information to eliminate fake news.
- Where necessary, apply enhanced procedures and risk mitigating controls.
- Assess the validity of any changes and transactions and consider whether they are suspicious.
- Ensure that there is a direct line of communication with the MLRO and proceed to file an STR with the FIAU, when knowledge or suspicion of money laundering or funding of terrorism, as provided for by the Prevention of Money Laundering and Funding of Terrorism Regulations (S.L. 373.01) and by the FIAU's Implementing Procedures is deemed to exist.