

June 10th, 2019

NBFIRA 3/3/4-III (37)

To: All Anti-Money Laundering/ Counter Terrorism Financing Compliance Officers (AMLCOs) - Non-Bank Financial Institutions ("NBFIs")

INSTITUTION SPECIFIC RISK ASSESSMENTS - DIRECTIVE

1. We refer to the captioned subject matter.
2. Pursuant to section 9 (f) of the Financial Intelligence Amendment Act 2018 ("the FI Act"), A specified party has an obligation, among others, *"to conduct risk assessment on its business relationships and transactions, pre-existing products, practices, technologies and delivery mechanisms, new products, practices, technologies and delivery mechanisms, prior to their launch, and life insurance services"*. Part (g) further requires the specified parties to *"implement programmes which have regard to identified money laundering, financing of an act of terrorism and financing of proliferation of arms of war or NBC weapon risks, commensurate to the size of the business"*.
3. The institutional risk assessments support the implementation of NBFIRA's risk-based supervision approach ("RBA") which takes into account the national money laundering or terrorism financing ("ML/TF") risk assessments. This means that non-bank financial institutions, and intermediaries must identify, assess, and understand the money laundering and terrorist financing (ML/TF) risks to which they are exposed, and implement the most appropriate mitigation measures. This approach will enable both the regulator and licensed entities to focus their resources where the risks are higher.
4. The FI Act empowers the NBFIRA to issue instructions, guidelines or recommendations to help a specified party comply with the Act. This is provided for by section 4 (2) (d) of the FI Act.
5. It is on the above provisions that NBFIRA hereby **directs** all specified parties that fall within the NBFIRA regulation to conduct internal institutional specific risk assessment to understand and determine AML/CFT risks to which they are exposed.
6. All NBFi licensed entities/specified parties are required to have conducted and documented their risk assessments by 15th July 2019.

7. Newly licensed entities are required to have conducted and documented their institutional risk assessment as follows from date of licensing approval;

- 6 months for the Insurance and the Capital Markets sectors
- 12 months for the Retirements and the Lending sectors

8. *The Authority* remains committed and available to assist NBFIs to comply with the FI Act and has previously issued a guidance brochure titled *Conducting Institutional Risk Assessment for AML/CFT&P Purposes* which is available in its website or by email request. Other guidance material may be found in the Financial Action Task Force (“FATF”) website.

Authorisation



Sriram Gade

Deputy Chief Executive Officer (Regulatory)

