



qatar

FINANCIAL CENTRE

REGULATORY AUTHORITY

**DRAFT ANTI-MONEY LAUNDERING AND COMBATING
TERRORIST FINANCING RULEBOOK 2010**

December 2009

Consultation Paper 2009/05

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Annex A: Draft Anti-Money Laundering and Combating Terrorist Financing Rulebook 2010

THE ANTI-MONEY LAUNDERING AND COMBATING TERRORIST FINANCING RULEBOOK 2010 OF THE QATAR FINANCIAL CENTRE REGULATORY AUTHORITY

Preamble

This Consultation Paper invites comments on the Anti-Money Laundering and Combating Terrorist Financing Rulebook 2010 of the Regulatory Authority.

The proposed amendments and rules will be made under Article 15 of the QFC Financial Services Regulations, which provides the QFC Regulatory Authority (**Regulatory Authority**) with the power to make rules as it deems necessary or appropriate to facilitate the pursuit, achievement and furtherance of its regulatory objectives.

Prior to making rules, the Regulatory Authority must publish the draft rules on its website inviting public comment. Comments are invited in relation to any aspect of the proposals in this paper, on both the concepts and the proposed rules themselves. These are attached at Annex A and deal with the draft Anti-Money Laundering and Combating Terrorist Financing Rulebook 2010. You are welcome to comment on all of the matters, or only those that are of specific interest or concern to you. These proposals and the final rules are also subject to further review by the Regulatory Authority and approval by its Board.

Anyone wishing to submit comments should provide details of the organisation he or she represents. The names of the commentators and the content of their submissions may be published on the Regulatory Authority's website and in other documents to be published by the Regulatory Authority. If you wish your name or any part of your submission to be withheld from publication please indicate this, together with your reasons, when you make your submission. The Regulatory Authority will then decide whether to publish the name or material. In doing so, the Regulatory Authority will have regard, in particular, to any obligations under the Data Protection Regulations, to issues of commercial sensitivity and whether the justification for publication is outweighed (taking into account the Regulatory Authority's regulatory objectives) by confidentiality concerns. If anyone has concerns about confidentiality, they are welcome to discuss them with us before making a submission.

Any comments should be submitted to:

Shaun Swan
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QFC Regulatory Authority
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Or emailed to: s.swan@gfcra.com

All comments must be received by 17 January 2010.

1 - Introduction

- 1.1 This Consultation Paper (**CP**) proposes the revised and restructured Regulatory Authority Anti-Money Laundering and Combating Terrorist Financing Rulebook 2010 (**AML/CFT Rulebook 2010**).
- 1.2 The text of the proposed rulebook is set out in Annex A.
- 1.3 The rules are relevant to all authorised firms and those licensed firms who are a 'designated non-financial business or profession' under the rules (see 1.3.3 of the draft rules) and have a minimal impact on consumers.
- 1.4 This Consultation Paper invites comments from interested parties on the proposed rulebook, its structure, content and practical application for firms within the QFC.

Background

- 1.5 The Regulatory Authority places the highest importance on its regime for anti-money laundering and combating the financing of terrorism (AML/CFT). The revised and restructured AML/CFT rulebook is designed to ensure that the Regulatory Authority AML/CFT framework continues to remain in accordance with the Financial Action Task Force (FATF) Recommendations and standards and international best practice.
- 1.6 Based on feedback from firms and on the Regulatory Authority's supervisory experience of the practical implementation of the AML/CFT framework, the Regulatory Authority understands that a number of areas in the AML/CFT framework require enhancement or clarification in order for firms to have a clear understanding of the AML/CFT requirements and to ensure effective implementation of those requirements.
- 1.7 The Regulatory Authority has already put in place measures to address these issues by providing AML/CFT industry training sessions, issuing the AML/CFT self assessment questionnaire to reflect international best practice, requiring specific action to be taken by firms via risk mitigation programmes or other means and by providing ongoing assistance to firms as required. However, taking into account the ongoing development of FATF standards and international best practice alongside the Regulatory Authority's supervisory experience, it is considered, those matters can be more properly addressed by a revised and restructured AML/CFT rulebook.

2 - Proposed key changes to AML rules

- 2.1 This chapter sets out the key changes to the revised and restructured AML/CFT rules in the AML/CFT Rulebook 2010.
- 2.2 The focus of the rulebook proposals are particularly directed at producing a set of rules to:
- a ensure optimum compliance with FATF Recommendations and standards; and
 - b assist and support the effective implementation of the AML rules by QFC firms.
- 2.3 The existing framework is comprised of AML regulations, the Anti-Money Laundering rulebook (AMLR), Individuals (INDI) and General (GENE) rulebooks. The revised rulebook will be self-contained, (i.e. all AML/CFT requirements for authorised firms and some licensed firms are contained in this rulebook) rather than spread across a number of rulebooks and regulations.
- 2.4 The revised rulebook also operates under a different approach to the Regulatory Authority's current rules and in particular there is a distinct departure from the current AMLR, which contains significant supplementary guidance notes and appendices.

Key changes

- 2.5 The rulebook contains 6 overarching key principles which govern how firms are to meet the AML/CFT requirements and are the foundation of the rulebook. Those principles are reinforced by more detailed rules which expand on how the principles must be met by firms. The 6 key AML/CFT principles are set out in Part 1.2 of the rules (page 13) and cover the following areas:
- Principle 1 – senior management responsibility;
 - Principle 2 – risk-based approach;
 - Principle 3 – know your customer;
 - Principle 4 – effective reporting;
 - Principle 5 – high standard screening and appropriate training; and
 - Principle 6 – evidence of compliance.
- 2.6 Other key changes include the following:
- the rulebook has been brought closely into line with the FATF Recommendations and standards through the use of key FATF terms and terminology;

- the rulebook sets out a clear management responsibility for AML/CFT responsibilities within firms with the development of an AML/CFT programme as well overall AML/CFT responsibility being placed on the senior management of the firm;
- the rulebook contains a more sophisticated risk-based approach to addressing firms AML/CFT risks by the use of a threat matrix; and
- the single rulebook is designed and structured to closely align with how a firm would undertake the development and implementation of an AML/CFT program and the ongoing compliance with AML/CFT regulatory requirements.

2.7 The Regulatory Authority is seeking comment from firms on the proposals for the introduction of the draft AML/CFT Rulebook 2010 including feedback on the overall structure, content and practical application of the rulebook and any specific areas of the rules on which firms wish to focus or seek clarification.