

**AML Risk Matrix**

Low	Moderate	High
Stable, known customer base.	Customer base is increasing.	Customer base is large, growing, and/or diverse.
No electronic banking; website, if any, is non-transactional.	The bank is beginning electronic banking and offers limited products/services.	Wide array of e-banking products/services offered (e.g. account transfers, e-bill payment, accounts opened online, etc.)
From the AML reporting database, there are none to few large currency or structured transactions.	From the AML reporting database, there is a moderate volume of large currency or structured transactions.	From the AML reporting database, there is a significant volume of large currency or structured transactions.
Relatively few higher-risk customers/businesses were identified.	Moderate numbers of higher-risk customers/businesses were identified.	Large numbers of higher-risk customers/businesses were identified.
There are no foreign correspondent bank accounts; the bank does not offer special use accounts or payable through accounts, engage in pouch activities, or provide U.S. dollar draft services	There is at least one foreign correspondent bank account with a financial institution from a lower-risk country that has adequate AML policies; there is minimal pouch activity, special use accounts and payable through accounts, and U.S. dollar draft services.	There are a large number of foreign correspondent bank accounts; correspondent bank accounts are with financial institutions from higher-risk jurisdictions and/or inadequate AML policies; there is substantial pouch activity, special use accounts and payable through accounts, and U.S. dollar draft services.
The bank offers limited or no private banking services or trust and asset management services.	The bank offers limited domestic private banking services or trust and asset management products/services over which it has investment discretion.	The bank offers significant domestic and/or international private banking or trust and asset management products/services, which are growing in volume and predominantly nondiscretionary.
Few to no international accounts or very low volume of currency activity in these accounts.	Moderate level of international accounts with unexplained currency activity.	Large number of international accounts with unexplained currency activity.
Limited number of funds transfers to customers, noncustomers, limited 3 <sup>rd</sup> party transactions, and no foreign funds transfers.	Moderate number of funds transfers; few international funds transfers from personal or business accounts with lower-risk countries.	Large number of noncustomer funds transfer and payable upon proper identification transactions; frequent funds from personal or business accounts to/from higher-risk jurisdictions.
There are no transactions with higher-risk geographic locations (i.e. High Intensity Drug Trafficking Areas or High Intensity Financial Crime Areas).	There are minimal transactions with higher risk geographic locations (i.e. High Intensity Drug Trafficking Areas or High Intensity Financial Crime Areas).	There is a significant volume of transactions with higher-risk geographic locations (i.e. High Intensity Drug Trafficking Areas or High Intensity Financial Crime Areas).

Note: This matrix is derived from the April 2010 *FFIEC BSA/AML Examination Manual* and may be used to formulate examination conclusions for the bank's aggregate risk profile. Examiners should complete a risk assessment for the bank if this hasn't been done by management and develop a risk profile for the bank.

IO4 – Generic questions	
Meeting	Various
Date	Various
Lead Questioners	
Objective	Key questions/issues
<p><b><u>General questions</u></b></p> <ol style="list-style-type: none"> <li>1. Briefly describe your business or organisation (product/business lines, customer base, size, international operations).</li> <li>2. What is your interaction with the supervisor? Nature and frequency.</li> <li>3. How often are you visited by the supervisor? How long do they visit and how many staff members?</li> <li>4. On average, how long does it take your business/organisation to respond to a request from a competent authority for accurate and complete CDD information or transaction records for AML/CFT purposes?</li> <li>5. Does your business/organisation receive guidance or feedback for AML/CFT-related issues? (e.g. risks, obligations, suspicious transaction reporting, other thematic concerns)? Please provide some examples.</li> <li>6. For 3 US Banks – how do you manage your US regulatory responsibilities with your Palau responsibilities? Do you have any conflicting requirements? How often do the US regulators engage with you? Do Palau and US conduct joint supervision?</li> </ol> <p><b><u>Primary Assessors questions related to effectiveness - IO.4</u></b></p> <p><b><i>Core Issue 1 – Understanding of risks and obligations</i></b></p> <ol style="list-style-type: none"> <li>7. Describe the ML/FTF risks relevant to your business/organisation? Which are the higher and lower risks, and how were those conclusions arrived at?</li> <li>8. Has your business or organisation contributed to any national ML/FTF risk assessments? If so, which, and how were you involved? What are your views of that assessment?</li> <li>9. For US banks – do you have a clear understanding of risks that may be provided by US regulators? If so, what are these risks?</li> <li>10. For US banks – what are the TFS and PF requirements that US regulators place on you? Have you implemented these in Palau? Please describe the processes and policies? Have Palauan authorities ever questioned you about TFS or PF</li> </ol> <p><b><i>Core Issue 2 –Mitigating measures</i></b></p> <ol style="list-style-type: none"> <li>11. Describe how your business/organisation is mitigating the relevant ML/TF risks identified?</li> </ol> <p><b><i>Core issue 3 –CDD and record keeping</i></b></p> <ol style="list-style-type: none"> <li>12. Describe the CDD procedures your business/organisation performs when establishing customer relationships or conducting transactions. How often are accounts/relationships rejected due to incomplete CDD information? Are there any instances which you can share?</li> <li>13. Describe how your business/organisation checks for the beneficial ownership of customers. What are the procedures for when the beneficial owner cannot be determined? If possible, please describe how a complex case of beneficial ownership was identified.</li> </ol>	

14. Under what circumstances and conditions can your business or profession open an account, or establish a business relationship, when the CDD process cannot be completed for the customer? (E.g. due to lack of documentation provided, or pending verification of some items)? Are there any instances which you can share?
15. For US Banks – if not answered previously, what specific US requirements do you follow? Can you provide evidence.

#### ***Core Issue 4 – Enhanced measures***

16. If applicable, how does your business/organisation identify and verify if a customer is a Politically Exposed Person? Describe any additional CDD steps that your business/organisation performs when the customer is a Politically Exposed Person.
17. What enhanced CDD measures do you undertake when a customer is an NPO?
18. Does your business/organisation rely on any third-parties to perform any parts of the CDD process? What is the division of responsibilities (for AML/CFT) between your business/organisation and the third-party?
19. How often does your business/organisation reject wire transfers due to insufficient requisite information? Are there any instances which you can share?
20. How does your business/organisation screen customers/transactions to check that they are not subject to Targeted Financial Sanctions (both TF and PF)?
21. What is your business/organisation's approach towards jurisdictions identified as high-risk by the FATF or independently through your own risk assessment process?
22. Please describe the process that your business/organisation takes in relation to the identification and mitigation of ML/TF risks in the development of new products, business practices, and technologies.

#### ***Core Issue 5 – STR reporting and tipping off***

23. Describe your business/organisation's process for reporting suspicious transactions. If possible, provide an end-to-end example, e.g. from how the transaction was identified, analysed, and reported to the authorities.
24. How many STR reports have you submitted to Palau's FIU? How many TF STRs?
25. How often has Palau's FIU sought additional information in response to an STR submitted, or for other purposes?

#### ***Core issue 6 – Internal controls***

26. What types of AML/CFT-related training does your business/organisation provide for its staff?
27. What are your internal control procedures to ensure compliance with AML/CFT obligations? How frequently does your business/organisation undertake internal AML/CFT compliance reviews?
28. What resources (both human and financial) are dedicated to AML/CFT matters within your business or organisation? Are these resource levels adequate?

#### ***Related Recommendations (TC Questions)***

29. This outcome relates primarily to Recommendations 9 to 23, and also elements of Recommendations 1, 6 and 29. (See related Qs at the TC Annex Consolidated Document).