



# Syllabus

# STEP Certificate in Anti-Money Laundering



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# Anti-Money Laundering

## Introduction

This document contains the detailed syllabus for the STEP Certificate in Anti-Money Laundering.

For more information about the course and how to apply, please visit the programme website: [www.cltint.com/courses/step-certificate-in-anti-money-laundering](http://www.cltint.com/courses/step-certificate-in-anti-money-laundering)

# Anti-Money Laundering

## Module 1

### WHAT ARE THE MONEY LAUNDERING AND TERRORIST FINANCING RISKS THAT MUST BE MANAGED?

#### This module covers:

- What is money laundering?
  - What role can the financial sector play?
  - How is money laundered?
  - A modern assessment of money laundering
  - The money laundering offences
  - The links between money laundering and corruption
  - Money laundering and tax evasion
  - Why is money laundering prevention important?
- Terrorist financing
  - What is terrorist financing?
  - How is terrorism financed?
  - What is an alternative remittance system?
- Financial and economic sanctions
  - What are sanctions?
  - Why are sanctions important?
  - United Nations Sanctions Framework
  - Regional sanctions
  - The UK sanctions regime
  - US (OFAC) regime
  - Country restrictions
  - Local sanctions laws
- Proliferation finance
  - Dual-use items
  - The risks arising from proliferation financing

# Anti-Money Laundering

## Module 1

### WHAT ARE THE MONEY LAUNDERING AND TERRORIST FINANCING RISKS THAT MUST BE MANAGED? Continued

#### **By the end of this module you should be able to:**

- Understand what money laundering is and appreciate the range of underlying predicate offences
- Recognise how and why criminal proceeds are laundered, including the threestage model and its limitations
- Define terrorist financing and how it resembles, and differs from, money laundering
- Understand the variety of methods used to finance terrorism and how it can involve both legitimately earned and criminally sourced money
- Explain what sanctions are, know the bodies that impose them and understand their role in international relations and law
- Describe a variety of different types of sanction and explain how they are implemented in a variety of sanctions regimes
- Understand what is meant by proliferation finance and the risks that involvement with it poses for financial institutions

# Anti-Money Laundering

## Module 2

### THE INTERNATIONAL BODIES AND STANDARD SETTERS

#### **This module covers:**

- The role of the international bodies in anti-money laundering and combating the financing of terrorism
- Key international organisations
  - The International Monetary Fund
  - United Nations Global Programme against Money Laundering
  - The World Bank
  - The Financial Action Task Force
  - The Basel Committee on Banking Supervision
  - The European Commission and Council
  - The Egmont Group
  - The Wolfsberg Group
  - Transparency International
- The work of the international bodies and its relevance for AML practitioners
- FATF Mutual Evaluations
- Typologies and guidance
- The focus of transparency

#### **By the end of this module you should be able to:**

- Understand the roles of the IMF, UN and World Bank as international standard setters in combating money laundering and terrorist financing
- Appreciate the roles of the Basel Committee, the European Commission, the Egmont Group and the Wolfsberg Group, which regulate and/or provide guidance to the financial services sector
- Recognise the key international initiatives of the above organisations, designed to counter money laundering and terrorist financing
- Describe the role of the Financial Action Task Force and the FATF-Style Regional Bodies in setting and assuring standards
- Understand how FATF Mutual Evaluations of countries against the international standards are conducted
- Recognise the link between the international AML/CFT standards and the transparency of beneficial ownerships of corporate vehicles, and be able to explain the work of Transparency International

# Anti-Money Laundering

## Module 3

### NATIONAL LEGAL AND REGULATORY FRAMEWORKS

#### **This module covers:**

- The impact of the FATF standards and recommendations on domestic frameworks
- US primary legislation and regulation
  - Bank Secrecy Act 1970
  - The PATRIOT Act
  - Other related AML/CFT legislation
- Key US regulatory and law enforcement authorities
  - Lessons from enforcement actions
- United Kingdom
  - Primary legislation: The Proceeds of Crime Act 2002
  - Secondary legislation: The Money Laundering Regulations 2007 and The Money Laundering, Terrorist Financing and Funds Transfer (Information on the Payer) Regulations 2017
  - Industry and professional guidance
  - Financial Conduct Authority supervisory rules and enforcement
  - Key UK law enforcement authorities
  - The UK as a high-risk jurisdiction

- Examples of other jurisdictions
  - Jersey
  - Singapore
  - Hong Kong
  - India
  - United Arab Emirates

#### **By the end of this module you should be able to:**

- Understand the basic requirements of the FATF standards and 40 Recommendations, and how and why these have developed as they have
- Appreciate the differences between primary and secondary legislation and the various kinds of guidance published in major financial centres
- Outline the general legal and regulatory requirements within domestic legislation in a range of countries, namely the US, the UK, Singapore, Hong Kong, India and the UAE
- Appreciate the impact that US legislation such as the BSA and the Patriot Act can have in other jurisdictions, i.e. US extraterritoriality
- Understand how knowledge of enforcement actions is valuable to MLROs and be able to cite examples



# Anti-Money Laundering

## Module 4

### TAKING AN AML/CFT RISK-BASED APPROACH AND MANAGING THE RISKS

#### **This module covers:**

- What is an AML/CFT risk-based approach?
  - FATF Guidance on the risk-based approach
  - National risk assessments
- Determining the risks
  - Business-risk assessments: organisations and operational risks
  - Assessing sector risk
  - Assessing product and service risk
  - Customer risk
  - Geographical risk
  - Delivery channel risk
- Management of AML/CFT risks - implementing a risk-based approach
- Anti-money laundering roles and responsibilities within a financial services business
  - The role of senior management
  - The role of the money laundering reporting officer
  - The MLCO/MLRO's role in money laundering risk assessment
  - Managing relationships with law enforcement agencies and regulators

- Escalation to senior management
- Exiting relationships

#### **By the end of this module you should be able to:**

- Appreciate the types of risk a firm may face and be able to outline the principles and benefits of a risk-based approach
- Explain how the risks facing a particular business are determined and know the official guidance available to help do this
- Understand how a risk-based approach is implemented
- Understand the importance of a robust governance structure for money laundering prevention, the responsibilities of the board/senior management and the clear allocation of roles and responsibilities throughout the organisation
- Explain the role and duties of the MLCO/MLRO and list the key skills required to discharge these duties
- Understand matters to be taking into consideration when escalating or exiting relationships

# Anti-Money Laundering

## Module 5

### INITIAL AND 'ONGOING' CUSTOMER DUE DILIGENCE (CDD)

#### This module covers:

- What is customer due diligence (CDD)?
  - The basic European and UK domestic standard
  - The basic international standard
  - Who is the customer and what is meant by the identification of beneficial owners?
- The risk-based approach to CDD
  - The requirements of the international standards
  - Practical application of the risk-based approach to CDD
  - Risk-based CDD requirements for existing customers
- Lower-risk situations and simplified due diligence (SDD)
  - What does simplified due diligence mean?
  - Exceptions made to guard against financial exclusion
- Higher-risk situations and enhanced due diligence (EDD)
  - What is enhanced due diligence?
  - When is enhanced due diligence required?
- High risk: Non-face-to-face business
- Mandatory high-risk customers: PEPs
- Mandatory high-risk relationships: correspondent banking
- Other examples of high-risk situations
- Unacceptable relationships
- The practical application of CDD
  - Interpretation of the key CDD terminology
  - CDD for specific risk situations
- Identifying and verifying identity
  - Who must be identified and why?
  - Electronic verification of identity
  - Identifying and verifying the identity of corporate entities
  - Beneficial ownership and complex structures
  - Relying on third parties and accepting introduced business
- The extent of additional information to be collected
- 'Ongoing CDD' and monitoring relationships
  - Trigger event monitoring
  - The challenges to be overcome
- Testing the CDD process



# Anti-Money Laundering

## Module 5

### INITIAL AND 'ONGOING' CUSTOMER DUE DILIGENCE (CDD) continued

#### By the end of this module you should be able to:

- Understand the definitions of Customer Due Diligence in FATF Recommendation 10 and its Interpretive Note
- Understand the practical ways of applying a risk-based approach to CDD, including assessment of high-risk and low-risk situations for both new and existing customers
- Appreciate what is involved in enhanced due diligence and when it should be applied, especially in the case of PEPs
- Understand how CDD is applied in correspondent banking relationships and other higher-risk corporate relationships
- Explain what is meant by regulatory terminology on CDD and know some practical methods of CDD that can be applied in relation to specific types of customer or transaction
- Understand the various methods of identifying and verifying customers' identities, the identification requirements in the US and EU, and the application or electronic methods of identity verification
- Know what you need to do to discover the beneficial owners of corporate structures
- Understand what is meant by 'ongoing CDD' and the importance of regular reviews of customers' accounts and activity
- Understand the importance of assuring the effectiveness of an organisation's CDD processes and the related responsibilities of senior management

# Anti-Money Laundering

## Module 6

### MONITORING ACTIVITY AND TRANSACTIONS

#### **This module covers:**

- The developing standards for monitoring transactions and activity
  - Customer profiling and using CDD information for monitoring purposes
  - Transaction records
  - Monitoring processes that add value to the AML/CFT regime
- Risk-based transaction monitoring and filtering framework
  - Transaction monitoring programmes
  - Automated transaction monitoring systems
  - Escalation processes
  - MI and exception reporting
- International standards and wire transfer requirements
  - The EU Wire Transfer Regulation and Proposed Amendments
- Sanctions lists and screening
  - Who should be screened?
  - Screening systems and controls

#### **By the end of this module you should be able to:**

- Understand how FATF Recommendation 10 is applied in practice in the financial services sector and the developing risks that monitoring must address
- Use CDD information as part of the monitoring processes and appreciate the importance of the latter in combating money laundering and terrorist financing
- Outline key risks relating to transaction monitoring and filtering activities and know how to use this knowledge in creating a risk-based transaction monitoring and filtering framework
- Appreciate the strengths and weaknesses of automated transaction monitoring systems
- Understand international wire transfer requirements and be able to apply them
- Describe measures necessary for establishing control standards for an effective transaction monitoring framework
- Understand who should be subject to sanctions screening and control requirements, the sort of screening systems that can be used, and the advantages of applying robust systems

# Anti-Money Laundering

## Module 7

### RECOGNISING AND REPORTING SUSPICIONS

#### This module covers:

- The international requirements
- Currency transaction reporting
  - The US dual reporting requirements
- EU and UK requirements
  - UK-specific requirements: a summary reminder
- What is meant by suspicion and reasonable grounds to suspect?
  - The subjective test of suspicion
  - Reasonable grounds to suspect: the objective test of suspicion
- Setting reporting rules and parameters
  - The issues for consideration
  - Cross-border reporting obligations
  - What constitutes suspicious activity?
- The SAR/STR process and its documentation
  - Acknowledging a SAR/STR
  - Reasons for reporting
  - Making enquiries
  - The MLCO/MLRO evaluation process
  - Avoiding tipping off
- Balancing the needs of law enforcement with breach of customer confidentiality
  - The interface with data protection requirements

# Anti-Money Laundering

## Module 7

### RECOGNISING AND REPORTING SUSPICIONS continued

#### **By the end of this module you should be able to:**

- Understand and give examples of what is meant by suspicion and reasonable grounds to know or suspect, and the difference between the subjective and objective tests of suspicion
- Understand how suspicions are generally formulated and appreciate the sort of behaviour ('red flags') by a customer that should generate suspicions
- Design a system for staff to use in reporting suspicions to the MLRO and the procedures to be followed by the MLRO on receipt of such reports
- Know when and how to make a valuable and accurate SAR to law enforcement agencies once a suspicion has formed
- Appreciate the problems that can arise from conflicts between legal obligations to report and the need to maintain customer confidentiality
- Understand the risks of tipping off and the MLCO/MLRO's duty to help staff avoid this

# Anti-Money Laundering

## Module 8

### THE VULNERABILITIES OF SPECIFIC SERVICES AND PRODUCTS

#### This module covers:

- Banking services
  - Retail banking services
  - Private banking
- Correspondent banking
- Lending and credit
  - Credit/charge cards and stored-value cards
  - Consumer finance
  - Mortgage lending
- International trade and trade finance
  - Letters of credit
- Foreign exchange and money transfer services
  - Foreign exchange bureaux
  - Money services businesses including alternative remittance systems
- Trust and corporate service providers
  - Corporate service providers
  - Trustee services
  - Tax evasion through offshore trusts and companies
- Insurance
  - Life insurance
  - General insurance
- The gaming sector
- Internet payment systems and virtual currencies
  - Risk factors within internet service providers
  - Virtual assets and virtual asset service providers

# Anti-Money Laundering

## Module 8

### THE VULNERABILITIES OF SPECIFIC SERVICES AND PRODUCTS continued

#### **By the end of this module you should be able to:**

- Explain the money laundering vulnerabilities of specific financial services and products, such as bank accounts and wire transfers and any others to which you are exposed in your employment
- Appreciate how various service providers, such as banks, trust and CSPs, may be vulnerable to exploitation by money launderers and terrorist-financing activities
- Recognise how financial systems outside the mainstream, such as ARS, may interact with conventional financial services and expose them to risk
- Appreciate the sorts of suspicious activity that may be encountered in the gaming sector
- Understand of the rapidly developing sectors of internet payments and virtual currencies and their potential for criminal use
- Appreciate money laundering typologies for the sectors discussed in this module



# Contact us

**For full details of the programme visit:**

[www.cltint.com/courses/step-certificate-in-anti-money-laundering](http://www.cltint.com/courses/step-certificate-in-anti-money-laundering)

**If you have any queries please contact us:**

Email: [cltinternational@centlaw.com](mailto:cltinternational@centlaw.com)

Phone: +44 (0) 121 362 7733

CLT International Ltd, Wilmington plc

Fort Dunlop | 6th Floor | Fort Parkway

Birmingham | B24 9FD | United Kingdom



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