



REGIONAL SENSITIZATION FORUM – WESTERN BRANCH

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Milimani Resort, Kakamega

SUSPICIOUS TRANSACTION REPORTS

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Government of Kenya
FRC



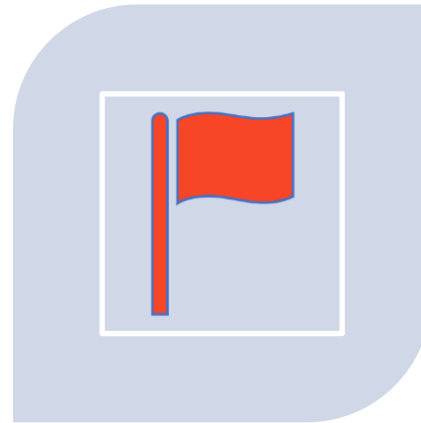
**Anti-Money
Laundering Guide
for Accountants in
Kenya**

Am trying to remove General Merchants but that option is not available from my end. Can you please help me correct from your end. Kindly guide me

OUTLINE



IDENTIFYING SUSPICIOUS
TRANSACTIONS



RED FLAGS



EFFECTIVE AML TRAINING

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SUSPICIOUS TRANSACTION / ACTIVITY



All **suspicious transactions**, including attempted transactions, should be reported regardless of the amount. *If a financial institution suspects or has reasonable grounds to suspect that funds are the proceeds of criminal activity, or are related to terrorist financing, it is required, by law, to report promptly its suspicious transactions/activity to the Financial Reporting Centre (FRC). (FATF Recommendation 20.)*

- A suspicious transaction **MUST** be reported within 7 days of the date of the transaction or occurrence of the activity that is considered suspicious
- Must be reported in the Prescribed format
- Sufficient information **MUST** be provided indicating the nature of and reason for suspicion.
- Aggregate to \$10,000 or more
- The firm knows or suspects involved the proceeds of illegal activity

SUSPICIOUS ACTIVITIES



- Transactions involving a covered product aggregating \$10,000 or more that you know or have reason to suspect:
 - Involve funds derived from illegal activity or are intended to hide funds derived from illegal activity
 - Are designed to evade reporting requirements imposed by law i.e tax evasion.
 - Have no apparent lawful purpose or are not the sort in which a particular customer would be expected to engage
 - May be one of a series of transactions that alone would not raise suspicion, but when viewed in the context of a pattern of transactions or in conjunction with other factors, would raise suspicion

SUSPICIOUS ACTIVITIES



- The applicant has **unusual concerns regarding the company's compliance** with government reporting requirements
- The applicant wishes to engage in a transaction that **lacks business sense or investment strategy, or is inconsistent with the customer's stated business strategy**
- The information provided by the customer that identifies a legitimate source for funds is **false, misleading or substantially incorrect**
- Customer conducts **transactions just below the minimum reporting requirements** for financial Institutions – CTR (“structuring”)
- **Reluctance** by a customer to **provide identifying information**

- Upon request, the customer refuses to identify or to **indicate any legitimate source for his/her funds**
- The applicant has a **questionable background** (e.g., past history of criminal conviction, history of fraud, etc.)
- The applicant exhibits a **lack of concern regarding the risks or other transaction costs**
- Any other activity which you think is suspicious or out of the ordinary
- **Large movements of funds** in/out with few or no securities transactions
- Customer providing seemingly **fictitious identifying information**

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SUSPICIOUS TRANSACTIONS

RED FLAGS



- Frequent change of address or use of a Post Office box
- Change in the payor, third party payor
- Cancellation request with check being mailed to a third party or foreign country
- Customer requests transaction be processed in such a manner as to avoid normal documentation requirements

OTHER TRANSACTION REPORTING REQUIRED IN KENYA



- Must file reports on Cash Transactions Report (CTR's) over \$10,00
- Must include certain info in wire transfers over \$3,000
- Must be made in the prescribed format by the friday in the week in which the transaction occurred or at such other time as the Centre may prescribe.

RECOGNISE SUSPICIOUS TRANSACTIONS

YOUR OBLIGATIONS



- Recognise activities that are inconsistent with a client's known activities
- Be alert to patterns of existing clients, particularly where there is an unexpected or unexplained change

Examples of suspicious activity?

- Client uses a segregated account as a place to hold funds that are not being used to trade
- Client wants disinvestment to be paid into different account
- Client wants to deal in hard cash
- International clients from territories with no effective AML system
- Clients who refuse to provide documentation



Report suspicious activity

YOUR OBLIGATIONS



- If you suspect that a transaction may involve the proceeds of unlawful activities or money laundering you should immediately report it as follows:

Directly to:

- Your line manager,
- Your respective risk officer.
- the Money Laundering Reporting Officer
- Via the Tip-Offs Anonymous number

If a client wants to deal in cash (not via EFT but hard cash), this should immediately raise alarm bells and must be reported – **MUST BE REPORTED IMMEDIATELY.**

REPORTS ARE CONFIDENTIAL

RECORD KEEPING

YOUR OBLIGATIONS



- Firms should keep records for the required retention period. Kenya has a **7** year retention period.
- Record keeping may be outsourced to a third party, but we must be able to access the documents readily.

Firms should retain records related to:

- Due Diligence (including Customer Identification Programme information)/Enhanced Due Diligence
- Suspicious Activity Reports (SAR) and Suspicious Transaction Reports (STR)
- Cash Transaction Reporting (CTR)
- Financial statements

Even though we must retain records, do so with due regard to confidentiality and privacy.

Training: EFFECTIVE AML training



- In order to manage financial crime risk, it's important to ensure employees are adequately trained in anti money laundering (AML)
- Not only is it vital to protect your firm, but it's required by regulations.

Things to consider in developing a Training Programme for Staff

- AML regulations should be the first point of call when determining AML training obligations.
- One of the Internal Control Obligations by Reporting Institutions is **providing employees, including the Money Laundering Reporting Officer, from time to time, with training to facilitate recognition and handling of suspicious transactions;**
- regulations that require reporting institution to establish and maintain internal reporting procedures to make employees aware of domestic laws relating to money-laundering, and the procedures and related policies established and maintained by them pursuant to this Act, to
- provide employees with appropriate training in the recognition and handling of suspicious activities that may be indicative of money laundering, to provide for an independent auditing of monitoring procedures, and to maintain an adequate anti-money laundering compliance programme.
- **BEST PRACTISE:** Have annual trainings for staff and Board of directors annually and keep a record of the trainings for a period of 7 years

CONSIDER YOUR Training needs?



What to consider in developing AML training Programme;

- what are the risks facing your business?
- what do they employees need to know?
- what do employees need to do differently?
- are there any high-risk roles that have additional training requirements?

High risk roles include; Relationship managers or employees in a payment processing team(cashiers), product development team for instance, are at the forefront of identifying potentially suspicious activity.

Consider what impact the roles have on AML framework- Not all roles will be client facing therefore the risks they deal with will be different. This leads to tailored trainings.

IS TRAINING THE RIGHT SOLUTION?



Training isn't the one-stop solution for all of life's problems – there can be other, systemic issues that training struggles to cover. If a team is under-resourced or there are technology issues, training alone won't solve the problems.

- Training is still, of course, a key component of the risk management framework. Procedures and job aides can often struggle to account for every instance and by providing training that gives employees an understanding of the risks, they can apply those principles to different issues.
- Once training has been determined as the right solution, the fun can begin with the design process, establishing the method for the training, the learning outcomes and how they will be achieved through the content and activities.

ARE THERE BUSINESS ISSUES THAT NEED REMEDIATING?



- Sometimes shortcomings are addressed after the fact. This is linked to the first question, determining training needs.
- Training can often form part of a remediation plan, ensuring that employees have the appropriate skills and expertise to carry out their role to the required standard.
- Training should not only be directed at employees, but to anyone that has an impact on the risk framework, including third parties.

SOME RESOURCES



- <https://frc.go.ke/> - FRC website
- <https://www.treasury.gov/ofac/downloads/sdnlist.txt> - List of US treasury sanctioned entities
- Sample STR. Password: KRA2021



Microsoft Excel
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Thank You!





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