YETFU SONKHE

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SAVINGS & CREDIT CO-OP SOCIETY

# ANTI-MONEY LAUNDERING & TERRORIST FINANCING POLICY

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Policy Formulation Process and Approval

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## 1. ABBREVIATIONS

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| AML | - Anti Money Laundering |
| CDD | - Customer Due Diligence |
| CFT | - Combating the Financing of Terrorism |
| EDD | - Employee Due Diligence |
| MC | - Management Committee |
| ML/TF | - Money Laundering and Terrorist Financing |
| PEP | - Politically Exposed Persons |
| YSSCC | - Yetfu Sonkhe Savings and Credit Co-operatives Society Ltd |
| Yetfu Sonkhe | - Yetfu Sonkhe Savings and Credit Co-operatives Society Ltd |
| SFIU | - Swaziland Financial Intelligence Unit |
| STR | - Suspicious Transaction Report |

## 2. INTERPRETATIONS

**Beneficial owner** – means the natural person(s) who ultimately owns or controls a customer or the person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement

**Business relations** – means the issuance of a loan to a person who is a registered member of Yetfu Sonkhe.

**Customer** – means a Yetfu Sonkhe member or a member who is an applicant for a loan.

**Customer Due Diligence or CDD** – means the process of collecting, analysing and verifying information with respect to a current or potential customer, beneficial owner and beneficiary of Yetfu Sonkhe member's savings or loan with the purpose



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of understanding ML/TF and other risks involved in decisions such as customer acceptance and loans settlement.

This includes the collection, analysis, verification and where necessary updating of identification data (of the member, beneficial owner and beneficiary) and the conduct of on-going diligence on the business relationship.

**Enhanced Customer Due Diligence or ECDD** - is the process of undertaking additional customer identification and verification measures in certain circumstances deemed to be high risk.

**Financing of Terrorism** - The financing of terrorism is an act of directly or indirectly providing, whether by giving, lending or otherwise making available or collecting, funds or property with the intention that they should be used, or having reasonable grounds to believe that they are to be used, in full or in part, in order to carry out an act of terrorism.

Terrorism seeks to influence or compel governments or others into a particular course of action through the use of violence, damage to property, danger to life or serious risks to health. Terrorists require funds to carry out acts of terrorism, and terrorist financing provides the funds needed. The methods used by terrorists to move, collect, hide or make available funds for their activities are similar to those used by criminals to launder their funds.

**Money Laundering** - is a process in which funds obtained through illegal or criminal activities are converted into other assets so as to conceal their true origin, ownership or any other factors that may tend to reveal an irregularity. The main objective is legitimizing income originating from illegitimate sources so that it loses its criminal identity and appears to be legitimately derived.



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The process of money laundering comprises three stages, during which there may be numerous transactions that could alert an insurer to the money laundering activity:

**Placement** - Physical disposal of criminal proceeds or placing dirty money into the financial system via a cash deposit, such as using cash as opposed to using banking channels.

**Layering** -The separation of criminal proceeds from their source by the creation of layers of transactions designed to disguise the origin of funds and provide appearance of legitimacy.

**Integration** - Placing the laundered proceeds back into the economy as apparently legitimate funds. For instance, a launderer buys "clean" or legitimate fixed assets or registers a legitimate business into which proceeds are deposited. The funds are then integrated back to criminal activities, such as drug trafficking.

**Management Committee** - means the Board of Directors of Yetfu Sonkhe.

**Politically Exposed Person** - means a person who holds, or has held:

- a prominent public position whether in Swaziland or in a foreign country, including, but not limited to, a Head of State or Government;
- a politician on the national level;
- a senior government, judicial, military or party official on the national level;
- a senior executive of a state-owned enterprise of national importance;
- or an individual or undertaking identified as having close family ties or personal or business connections to any of the aforementioned persons.

**Suspicious transaction** - means a transaction which is unusual because of its size, volume, type or pattern or otherwise suggestive of known ML/TF methods. This may be a transaction that is inconsistent with a customer's known legitimate



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business or personal activities or normal business for that type of account or that lacks an obvious economic rationale.

**Policy** - means the AML/CFT Programme or Policy Framework and the two phrases will be used interchangeably.

**Regulations** – means The Anti-Money Laundering (United Nations Security Council Resolutions), Regulations 2016.

**The Act** - means The Money Laundering Prevention and Terrorist Financing (Prevention) Act, 2011

## 1. INTRODUCTION

YETFU SONKHE is committed to establishing anti-money laundering practices and ensuring that the SACCO is not used as a conduit for money laundering or other illicit business. The SACCO also adopts and agrees to implement the policy statements, procedures, guidelines and manuals emanating from the Act, its Regulations and the FATF 40 Recommendations. In furtherance to the above the SACCO has put in place the following measures to prevent money laundering and ensure compliance with CDD requirements.

## 2. OBJECTIVES

The following are the main objectives of this policy:

2.1 To comply with all provisions on anti-money laundering and combating financing of terrorism, both legislative and regulatory.

2.2 To ensure that the SACCO is not exposed unduly to avoidable financial losses.

2.3 To minimize the risk of being used for illicit activities.

2.4 To provide protection against fraud, legal risk, reputational risk and financial risk.

2.5 To serve as further guide on the procedures necessary for an indepth knowledge of our customer.

2.6 To enhance the knowledge and awareness of the entire members of staff on anti-money laundering provisions.

2.7 To state the SACCO's attitude towards money laundering and the financing of terrorism.

2.8 To outline the key roles and responsibilities of the SACCO Board of Directors, Senior Management and staff.

## 3. ROLE OF THE BOARD AND SENIOR MANAGEMENT

Yetfu Sonkhe Board and management acknowledges its oversight role in ensuring that AML/CFT policies and procedures are implemented in the business operations of Yetfu Sonkhe.

3.1 The Board commits itself to ensuring that the policy is reviewed on an annual basis to ensure that it remains in line with the current risks inherent / associated with the activities / processes of Yetfu Sonkhe.

3.2 To guarantee the application of this policy the Board will appoint a Compliance Officer to enhance compliance with AML/ CFT obligations.

3.3 The office of the Compliance Officer shall remain independent and shall be at a senior management level, with adequate authority and resources to enable proper functioning of the office.

3.4 Ensure the formulation and implementation of the AML/CFT risk assessment to enable it to assess to identify, assess, monitor, manage and mitigate, risks in relation to their customers, countries or geographical areas, products, services, transactions and delivery channels.

3.4.1. ensure the effectiveness of the SACCO to the AML/CFT risk assessment programme.



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3.4.2 ensure the compliance of the SACCO staff to the AML/CFT Compliance programme.

3.4.2 Responsible and accountable for exercising oversight on the day to day implementation of the AML/CFT risk management compliance programme to ensure adequate mitigation of Money Laudnering and Terrorist Financing risks.

3.4.3 In ensuring that an AML/CFT risk assessment is done on all SACCO members at joining, all products and services whenever used by the members, all new products, whenever there is a change to a member`s profile and circumstances.

3.5 Approval of AML/CFT policies, processes and procedures.

## 4. ROLE AND RESPONSIBILITIES OF THE COMPLIANCE OFFICER

The primary roles and responsibilities of the Compliance Officer shall include but not limited to the following;

4.1 Ensuring the SACCO's activities and processes are in compliance with the requirements of the Act;

4.2 Developing, establishing and maintaining control procedures and systems to implement;

4.3 Customer identification and verification system;

4.4 Record keeping and retention requirements, and

4.5 Reporting suspicious transactions requirements.

4.6 Train the board, staff and entire membership on the laws and regulations relating to ML/TF. The Compliance Officer will conduct training on:

- the board and staff on the controls, procedures and (including audit systems) put in place to combat acts of ML/TF.



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- staff on how to recognize and combat suspicious transactions, trends in ML/TF activities and risks within the cooperative's products, services and operations.

4.7 Ensure prospective employees are properly screened and vetted before they are hired.

4.8 Establish an audit function to measure the effectiveness of the controls put in place to combat ML/TF.

4.9 Conduct periodic review of the performance and effectiveness of the AML/CTF controls, policies and risk-based procedures (i.e. whether they are still appropriate and proportionate to the cooperative's ML/TF risks).

4.10 Provide feedback received after an assessment by the regulators.

4.11 Delegate certain duties to other employees to ensure that the compliance functions are executed efficiently and effectively.

## 5. DUE DELIGENCE FOR KEY FUNCTIONARIES

5.1 Yetfu Sonkhe will ensure that adequate and sufficient resources are availed to enhance the existing controls and procedures for ensuring that the Board and staff are at all times fit and proper to perform their duties and responsibilities within the cooperative. In pursuance of this function, Yetfu Sonkhe will:

5.1.1 screen prospective committee and staff members to be engaged in the issuing of loans, responsible for the financial activities of Yetfu Sonkhe or any role that has a direct involvement on the savings and credit operations of the cooperative.



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5.1.2 re-screen a committee or staff employee, i.e. in the event that they are promoted / transferred or appointed to any role(s) or duties within the cooperative.

5.1.3 develop procedures to identify and verify the identity of prospective or existing employees to confirm / scrutinise their employment history in order to determine their suitability for the proposed employment within the cooperative.

5.1.4 enhance its employee recruitment process to analyse the various positions and roles using the risk based approach. Where some roles and positions have been rated as high risk, consideration will be made for stringent due diligence measures to be performed prior to employment of the prospective employees. These measures may include but not limited to, the requirement for;

- A criminal record
- Employment disciplinary history
- Record for barring by regulators
- Record relating to fraud / commission of financial crime
- Information relating to bankruptcy

## 6. TRAINING PROGRAM

6.1 In its undertaking to combat ML / TF Yetfu Sonkhe is committed to enhancing the existing training policies to include AML/CTF risk awareness training program(s). Such training will include the board, management and staff. The training will amongst other things consist of the following:

6.1.1 nature of the money laundering and terrorist financing;



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6.1.2 risk that money laundering and terrorist financing pose on SACCOs;

6.1.3 Yetfu Sonkhe's AML/CTF policies and procedures;

6.1.4 Yetfu Sonkhe's obligations under Act.

6.2 The training programme will be subject to review as and when necessary to accommodate and/or deal with changes to the ML/TF risk faced by the cooperative.

## 7. RISK ASSESSMENT

7.1 In fulfilling its obligation to comply with AML/CFT requirements, Yetfu Sonkhe will adopt a risk based approach towards identification, assessment and management of the associated ML/TF risks. To that end, a comprehensive risk assessment policy which outlines risks related to the cooperative's activities and members' relationships will be formulated, and will take into account the following factors;

7.1.1 Member risk

7.1.2 Geographical location of SACCO or origin of members:

7.1.3 Products, services, transactions (Type of loans, application for loans, mode of issuance of cash assistance to members):

7.1.4 Delivery/distribution channels: Methods of product acquisitions:

## 8. CUSTOMER DUE DILIGENCE

8.1 As a means to mitigate ML/TF risks and complying with obligations imposed under the Act, Yetfu Sonkhe recognises that proper identification, risk analysis and monitoring of its members is a requirement and a core feature to its AML /CTF policy. Yetfu Sonkhe thus commits itself to perform customer due diligence:



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8.1.1 when establishing new relationship(s) with an existing (loans) or prospective member (i.e. members joining the cooperative).

8.1.2 when dealing with a member who already has a loan, and that member requests for a change in the loan; be it an increase or variation of the loan terms.

8.1.3 where at any given point in time there is a suspicion of ML/TF on the member's transactions or behaviour.

8.1.4 where there are doubts about the veracity or adequacy of previously obtained member identification data.

8.1.5 when dealing with any beneficial owner.

8.1.6 when dealing with transactions that have been classified as higher-risk members, sectors, products and service so as to assess with an appropriate degree of confidence the types of loans the member is likely to undertake.

8.1.7 to continuously monitor member's transactions to detect any suspicions of ML/CFT risks.

8.2 Yetfu Sonkhe will identify a member and all those who exercise control over the account / transaction. For the purpose of this policy a customer includes:

8.2.1 a person who is a member and maintains an account with Yetfu Sonkhe.

8.2.2 any person or entity connected with a loan transaction that can pose a significant risk to Yetfu Sonkhe.

8.3 In verifying a customer's identity, Yetfu Sonkhe will use a combination of the following methods;

8.3.1 Confirm the date of birth from an official document (e.g. birth certificate).

8.3.2 Confirm the permanent address (e.g. utility bill, tax assessment, bank statement, affidavit).

8.3.3 Contact the customer by either telephone, letter, email to confirm information supplied.



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8.3.4 Confirm the validity of the official documents provided through certification by an authorised person.

8.3.5 Confirm the permanent and/or business residence through credit agencies, home visits and other methods.

8.3.6 Obtain personal references from third parties and existing customers in writing.

8.3.7 Contact issuers of references.

8.3.8 Confirm employment.

8.3.9 In instances where original documents are not available, Yetfu Sonkhe will only accept copies that are certified by:

- The Commissioner of Police, Deputy Commissioner or Assistant Commissioner.
- The Commissioner of Correctional Services, Deputy Commissioner or Assistant Commissioner
- Admitted Attorney of the High Court of Swaziland
- Any other officials approved by the Executive Committee

8.3.10 If the documents are unfamiliar, Yetfu Sonkhe will take additional measures to verify that they are genuine using any of the following methods;

- Contacting the relevant authorities.
- Using the risk assessment to determine:
  - Type of applicant
  - Expected size and activity of the account
  - Extent and nature of the information required to start a business relationship

8.4 Where there is a suspicion that a transaction relates to money laundering or the financing of terrorism, Yetfu Sonkhe will be cognizant of tipping off of a customer when conducting due diligence, hence will:

8.4.1 perform the transaction with strictest confidentiality.



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8.4.2 make a business decision whether to open the account or execute the transaction as the case may be, but report a suspicious transaction to the SFIU.

8.4.3 obtain relevant information on the identity of the customer and seek to verify some of the information on a risk basis, through the use of reliable, independent source documents, data or information to prove to its satisfaction that the individual is who that individual claims to be. The basic information will include:

- True name and permanent residential address
- Valid photo-bearing identification, with unique identifier, (e.g. passport, national identification card, driver's licence
- Date and place of birth and nationality (if dual, should be indicated)
- Occupation
- Contact details e.g. telephone number, fax number and e-mail address
- Purpose of the account; and
- Signature

## 9. ONGOING DUE DELIGENCE

9.1 YETFU SONKHE will conduct periodic reviews depending on a customer's risk rating. This risk-based approach allows more detailed and enhanced reviews to be conducted for higher risk members on a more frequent basis than low/medium risk customers.

9.2 It requires generation of reports identifying those accounts showing activity which fulfils predetermined criteria, such as large transaction volume, or increased account usage. The compliance officer will review and decide if the transactions made were consistent with the member's profile

**Politically Exposed Persons ("PEPs")**

In identifying PEPS YETFU SONKHE will;



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