

# Anti-Money Laundering Services



# Asset & Wealth Management and Alternatives

# Table of content

<b>Luxembourg's current Anti-Money Laundering (AML) and Counter-Terrorist Financing background</b>	<b>4</b>
The <i>Responsable du respect des obligations</i> (RR)	6
The <i>Responsable du contrôle du respect des obligations</i> (RC)	7
On-site inspections - findings raised by supervisory body	8
Means for supervision: sanctions imposed by the CSSF in 2019	9
CSSF Circular 20/744	10
<b>Your challenges - How we can support you</b>	<b>13</b>
• AML/CFT Governance review	16
• Design or review of your risk appetite framework	17
• Support in your AML/CTF Risk Management via the PwC Risk Navigator tool	18
• Support with data collection and completion of annual ManCo AML report - due on an annual basis	19
• AML/CTF ManCo Health Check to prepare for scrutiny	20
• AML/CTF ManCo and Fund Board Reports - Review and production	21
• Review your AML/CTF distributors, transfer agents and portfolio managers oversight	22
• Support with data collection and completion of annual ManCo CSSF questionnaire	23
• Review or design your AML/CTF asset scoring model for UCITS Private Equity, Real Estate, Debt and Infrastructure Funds	24
• Review ManCo/Fund AML risk assessment framework	25
• Annual Update of your AML/CTF Policies and Procedures in line with regulatory changes	26
• Review your AML/CTF KYC requirements per location, reconcile with TA requirements and build a global KYC matrix	27
• Review and advise on your AML/CTF risk and control framework (risk and mitigating control test plan)	28
• AML/CTF existing account remediation services one-time or annual support for ongoing KYC file refresh	29
• Subject matter expert review of higher risk KYC files	30
• Provide AML/CTF training to first, second and third lines of defence as well as Board of Directors	30
• AML Hotline	31
<b>Our team</b>	<b>32</b>
Contacts	34

# A personal message



I am delighted to provide you with our *Anti-Money Laundering Services - Compliance* catalogue for Asset & Wealth Management and Alternatives.

This catalogue includes a series of ways we could assist you that address most aspects of the Luxembourgish AML/CTF legal and regulatory requirements, along with local best practices for Management Companies.

This document aims to outline the main features of the service and provide you with an overview. This then serves as a basis for our further discussions to tailor any service, listed here or not, to your specific needs.

I look forward to speaking with you.

Yours sincerely,  
**Birgit Goldak**



# Luxembourg's current Anti-Money Laundering (AML) and Counter- Terrorist Financing background



## AML/CTF in Luxembourg

Luxembourg's regulator has put AML/CTF on the very top of its agenda. In 2018, the CSSF hired a new head of the Asset Management and Alternatives Sector. He is known in the market as an expert on AML and has previously held Chief Compliance Officer roles at asset managers or asset servicers. He and his team have, since, prepared the country for the FATF visit, which is scheduled for spring 2021, to evaluate the laws as well as the effectiveness of AML in Luxembourg. This is an important event, and the regulator takes every opportunity to remind AWM and Alternatives market players to stress its expectations in the area of AML/CTF. Regardless of the original topic of the speech, the fight against money laundering and terrorist financing is waved in and mentioned as top priority. Over the last years, the regulator has significantly increased the fines and does not hesitate to fine companies regardless of their size for failure of AML compliance. Many regulator inspections lead to an injunction or fine. The fines are not generally due to active money laundering but due to the fact that the AML/CTF professional obligations are not well and coherently translated into the governance framework of the professional.

## Urgent implementation of new measures needed by professionals

Luxembourg has in 2020 implemented the 5<sup>th</sup> AML EU Directive in its regulatory framework, which led to many changes to be implemented into companies' AML/CTF framework. Most recent changes to key pieces of legislation occurred between March 2020 and August 2020. In the areas of Asset and Wealth Management, the legislation is driven by a sector risk analysis that the CSSF performed in 2020. This leads to Luxembourg having an AML/CTF framework that has specific elements included to cover the specific risks identified. Example: AML/CTF measures on assets and AML/CTF measures on Nominees, distributors, intermediaries (including potential look through). The Role of the AML Responsible du AML Control (RC or MLRO) and Responsible Du Respect (Conducting Officer in charge of AML/CTF compliance for the ManCo and BoD for an investment fund) has been clarified and responsibilities have been clearly defined.

## Expectations from the regulator in Luxembourg

The AML/CTF approach taken to implement AML/CTF compliance must be fully coherent and every company (Management Companies and investment funds) must have their own AML framework. The key elements (i.e. AML risk appetite and KPIs, AML risk assessment and risk scoring of investors, assets and distributors, investor and investment KYC as well as a commensurate risk-based approach) must be in place. It needs to be supplemented by suspicious transaction monitoring and sanction screening, staffing, training and cooperation with authorities. The Board report will include details relating to AML/CTF compliance to render the Board of Directors comfortable that compliance is achieved and risks are identified and mitigated in line with the AML/CTF risk appetite. Luxembourg ManCos further need to reply to an annual AML/CTF questionnaire and submit a detailed AML report to the CSSF on 31 May of each year.

## AML/CTF regulator and external audit for ManCo's

The CSSF has hired many AML/CTF specialists with specific fund industry knowledge who perform AML/CTF thematic reviews. In this current environment, these are very detailed and rigorous. The regulator is currently revamping the investment fund audit approach and it is envisaged that as of 2021 there will be a specific ManCo AML/CTF work program in place which the external auditor must perform on an annual basis. The plans seem to be very detailed and thorough. This is an important change that ManCos need to get ready for.

# The *Responsable du respect des obligations* (RR)

- In principle authorised management responsible for compliance, at investment fund level - Board of Directors. (12-02, Art. 40).
- Authorises opening of numbered accounts (12-02, Art. 10).
- Authorises nominees' account openings (12-02, Art. 28).
- Authorises relationships that involve PEP (beginning and continuous basis) (12-02, Art. 30 ).
- Authorises relationships where clients/ counterparties, beneficial owners or persons purporting to act on behalf of the party are in a high risk country (12-02, Art. 31).

- Discusses investigations and decisions on suspicious transaction reports and suspicious behaviour reports (12-02, Art. 39).
- Validates, at least initially, the suspicious transaction and screening process (then regular control by RC) (12-02, Art. 39).
- Receives reports from the RC on compliance of the professional with AML/CTF obligations (12-02, Art. 42).
- Receives an annual summary from RC on his activities and operations.



# The *Responsable du contrôle du respect des obligations (RC)*

- In charge of compliance (Art. 40 12-02).
- For ManCo's role could be taken by RR (Conducting Officer responsible for AML/CTF compliance). For investment funds it is the IF BoD. (Art. 1, 12-02)
- Privileged contact for authorities and in charge of remitting reports to authorities (Art. 42 12-02).
- Can directly contact governing body or CSSF (CSSF 18/698).
- Systematically involved in approval process of clients/beneficial owners or signers are in high risk countries (Art. 31 12-02).
- Receives reports on customers who opened an account with limited KYC and where the missing KYC could not be collected within the timeframe set by the professional (Art. 13 12-02).
- Retains written reports submitted to him (Art. 7 12-02).
- Regularly reviews the AML/CTF policy and procedures and express judgement on adequacy of procedures (Art. 38 12-02).
- Expresses judgement on how different departments work together (Art. 42 12-02).
- Receives suspicious transaction or suspicious behaviour reports and decide what measures to be taken in these cases, consulting with RR (12-02, Art. 39)
- Regularly reviews rules uses for suspicious transaction and suspicious behaviour reporting (12-02, Art. 39).
- As second line of defense, provides support to the first line, verifies controls carried out by the first line, contributes to the independent risk control (Art. 38 12-02).
- May delegate tasks to the team (Art. 40 12-02).
- Applies AML/CTF procedures with the power to propose new measures including means (Art. 42 12-02).
- Ensures quality of the first line of defense controls (Art. 42 12-02)
- Verifies compliance with AML/CTF rules by the professional (Art. 42 12-02).
- Reports in writing on a regulator basis and ad hoc to the RR to follow up on recommendations, highlights problems and shortcomings and irregularities. When doing so, the seriousness, the estimated risk and proposed corrective measures should be included. Concerned persons should be specified. (Art. 42- 12-02).
- Prepares annual report of these activities and operations and submits to the RR (12-02, Art. 42).
- Updates RR on changes in regulations (CSSF Circular 18/698).
- Declares that annual compliance work has been performed (Art. 49 12-02).
- Does annual AML/CTF report according to Art. 318 of CSSF 18/698).
- Replies to CSSF AML Questionnaire (Art. 4 12-02).

# On-site inspections - findings raised by supervisory body

## Main findings observed

### Corporate Governance

Governance	<ul style="list-style-type: none"> <li>Composition and organisation of Board of Directors, Management and Committee highlight potential conflict of interest</li> <li>Reporting line between corporate governance members questioned, etc.</li> </ul>
Internal control function	<ul style="list-style-type: none"> <li>Deficiencies in internal control framework</li> <li>Shortcoming with regard to risk measurement</li> <li>Deficiencies in compliance risk assessment</li> </ul>
Outsourcing	<ul style="list-style-type: none"> <li>IT outsourcing is not in line with the provisions related to the IT system management, the hosting services, and the infrastructure ownership</li> </ul>

### MiFID II

Corporate governance	<ul style="list-style-type: none"> <li>Insufficient involvement and monitoring of MiFID II by the internal control function and by Management</li> <li>Insufficient employee training</li> <li>Outdated internal documentation and procedures</li> </ul>
Investor protection	<ul style="list-style-type: none"> <li>Mismatch between client profile and client portfolio</li> <li>Insufficient ongoing review of the client information collected</li> <li>Missing information on the client reporting</li> </ul>
Market	<ul style="list-style-type: none"> <li>Insufficient ongoing monitoring control on the best execution policy</li> <li>Lack of control on the transaction reporting</li> </ul>

### AML/CFT

Internal organisation	<ul style="list-style-type: none"> <li>Incomplete or out-of-date procedures (client acceptance and risk assessment)</li> <li>Monitoring system inefficient, not performed in due time, neither on the relevant person or inexistent (transaction, name screening, etc.)</li> <li>Lack of risk-based ongoing client reviews</li> <li>Tax AML not covered</li> </ul>
Internal control function	<ul style="list-style-type: none"> <li>Insufficient controls, or controls not performed and formalised in due time</li> <li>Lack of Group Compliance function and Internal Audit oversight on branches/subsidiaries</li> </ul>





# Means for supervision: sanctions imposed by the CSSF in 2019

Type	Description
Investment Firms	<ul style="list-style-type: none"> <li>• <b>5 administrative fines:</b> <ul style="list-style-type: none"> <li>– EUR 15,000 (to 2 companies) for non-compliance with professional obligations in terms of capital ratio and for the appointment of two key function holders without prior authorisation of the CSSF</li> <li>– 2 fines to the same company for non-compliance with MiFID regulations (EUR 56,200) and with AML/CTF professional obligations (EUR 27,500)</li> <li>– EUR 50,000 for non-compliance with professional obligations regarding central administration, sound and prudent management, and internal governance arrangements</li> </ul> </li> <li>• <b>2 fines (EUR 204,000) related to market abuse</b></li> <li>• <b>10 cases of exercise of the right of injunction (shortcomings with regard to AML/CTF or MiFID II; deficiencies in the closing documents; no timely regularisation of internal/external audit recommendations; breaches related to the IT control environment)</b></li> <li>• <b>3 temporary withdrawal of professional repute of natural person for having provided incomplete/inaccurate or false information to the CSSF, inexact declaration of honour, criminal record of the individual</b></li> <li>• <b>45 complaints regarding entities which provided investment services without authorisation</b></li> </ul>
Specialised PFS	<ul style="list-style-type: none"> <li>• <b>3 administrative fines:</b> <ul style="list-style-type: none"> <li>– EUR 100,000 for failures observed during an inspection related to central administration</li> <li>– EUR 42,000 for non-compliance with AML/CTF professional obligations</li> <li>– EUR 36,500 for non-compliance with professional obligations on internal governance</li> </ul> </li> <li>• <b>7 cases of exercise of the right of injunction (submission of AML/CTF questionnaire; failures of authorised management or corporate governance; publication of annual accounts, legal obligations for change of shareholding structure, etc.)</b></li> </ul>
Support PFS	<ul style="list-style-type: none"> <li>• <b>2 administrative fines:</b> <ul style="list-style-type: none"> <li>– EUR 17,000 and EUR 15,000 for no respect of prudential obligations relating to the administrative and accounting organisation.</li> </ul> </li> </ul>
Investment Fund Managers (IFMs)	<ul style="list-style-type: none"> <li>• <b>22 administrative fines:</b> <ul style="list-style-type: none"> <li>– EUR 80,000 to an IFM for certain occasional breaches of the legal provisions governing the general requirements for procedures and organisation of the internal audit function, the conditions regarding authorisation to delegate, the establishment and monitoring of a best execution policy as well as AML/CFT arrangements</li> <li>– EUR 10,000 to an IFM for occasional breaches of the legal provisions relating to due diligence requirements in terms of selection and ongoing monitoring of an investment for the account of two sub-funds of a UCITS</li> <li>– EUR 23,000 to an IFM for certain occasional breaches of the provisions governing the general requirements for procedures and organisation, the organisation of the permanent compliance function, and the establishment and monitoring of a best execution policy, and of the provisions relating to the investment management function and the risk management function</li> <li>– EUR 10,000 each on 12 registered AIFMs for non-compliance with their regulatory AML/CFT obligations</li> <li>– EUR 2,000 each on 7 registered AIFMs under the provisions of Article 3(1)4(b) of the Law of 15 March 2016 on OTC derivatives, central counterparties and trade repositories</li> </ul> </li> <li>• <b>In 2019, the CSSF decided to withdraw two IFMs from the official list for non-compliance with the legal provisions.</b></li> </ul>
Specialised investment funds (SIFs)	<ul style="list-style-type: none"> <li>• <b>Administrative fines:</b> <ul style="list-style-type: none"> <li>– EUR 2,000 or EUR 4,000, on the leaders of 20 SIFs for non-filing of the annual financial report and on the leaders of 22 SIFs for non-filing of the management letter</li> <li>– EUR 2,000 on each of the leaders of a SIF for failing to transmit the required information and documents</li> <li>– EUR 500 each on the leaders of five SICARs for non-filing of the annual financial report and on the leaders of five SICARs for non-filing of the management letter</li> <li>– EUR 10,000 each on two SIFs for non-compliance with their regulatory AML/CFT obligations</li> <li>– EUR 500 on a natural person for filing an incomplete declaration of honour</li> </ul> </li> <li>• <b>Finally, the CSSF refused to authorise a natural person as a director of a UCITS pursuant to the provisions of Article 129(5) of the Law of 17 December 2010 relating to UCIs.</b></li> <li>• <b>In 2019, the CSSF decided to withdraw three UCITS, eleven SIFs and one SICAR from the official lists for non-compliance with the legal provisions.</b></li> </ul>

# CSSF Circular 20/744

## New specific indicators on tax fraud for the Asset Management industry: what do you need to know?

On 3 July 2020, the CSSF issued a circular which is a complement to the Circular CSSF 17/650 related to the extension of laundering offence to aggravated tax fraud and tax swindle.

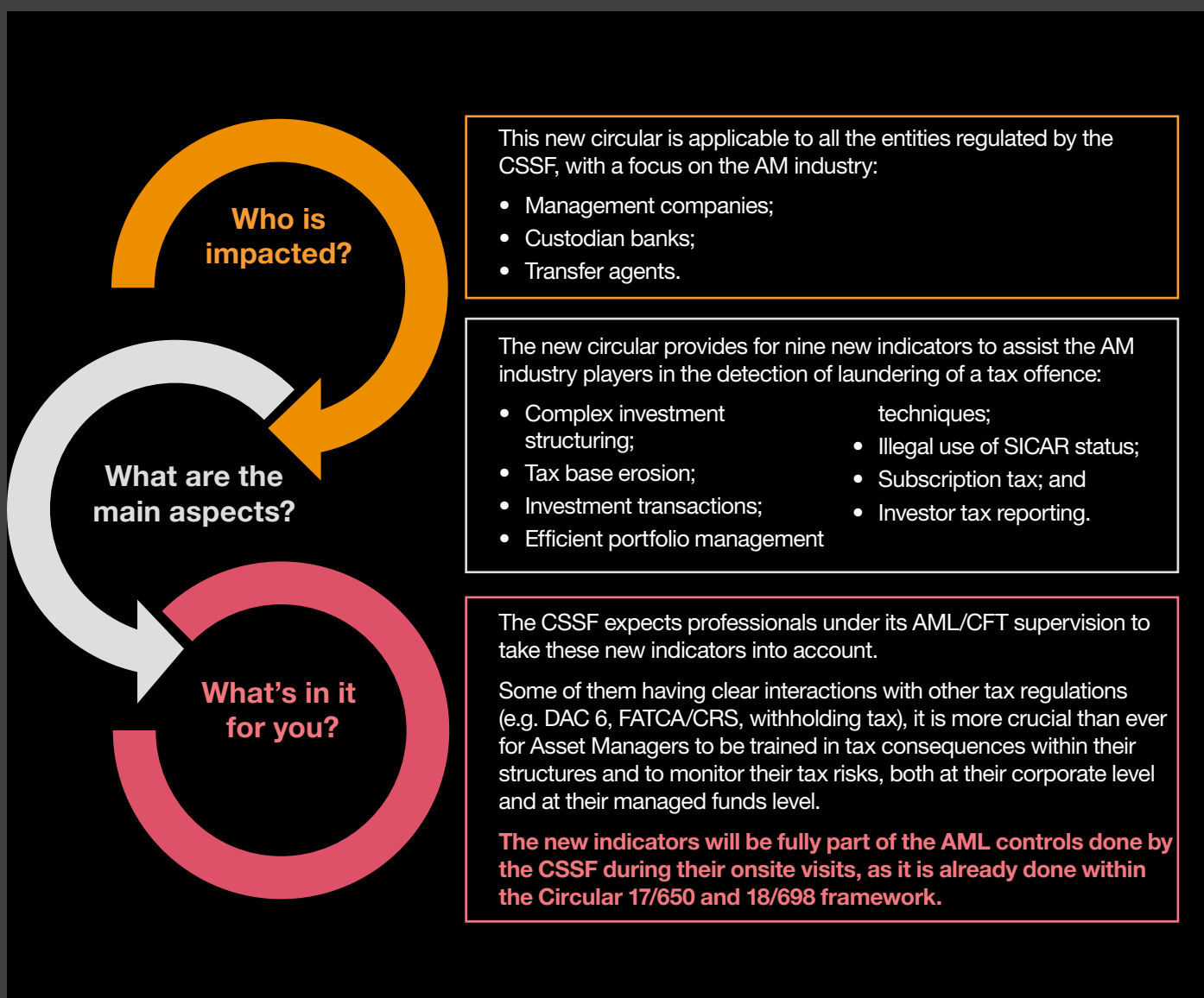
With this new circular, the CSSF expands Annex 1 of the Circular 17/650 with an additional list of indicators specific to the collective investment activities and to professionals providing services in the Asset Management ("AM") sector.

The magnitude of the indicators can lead to practical difficulties in appreciating and reporting actual tax fraud.

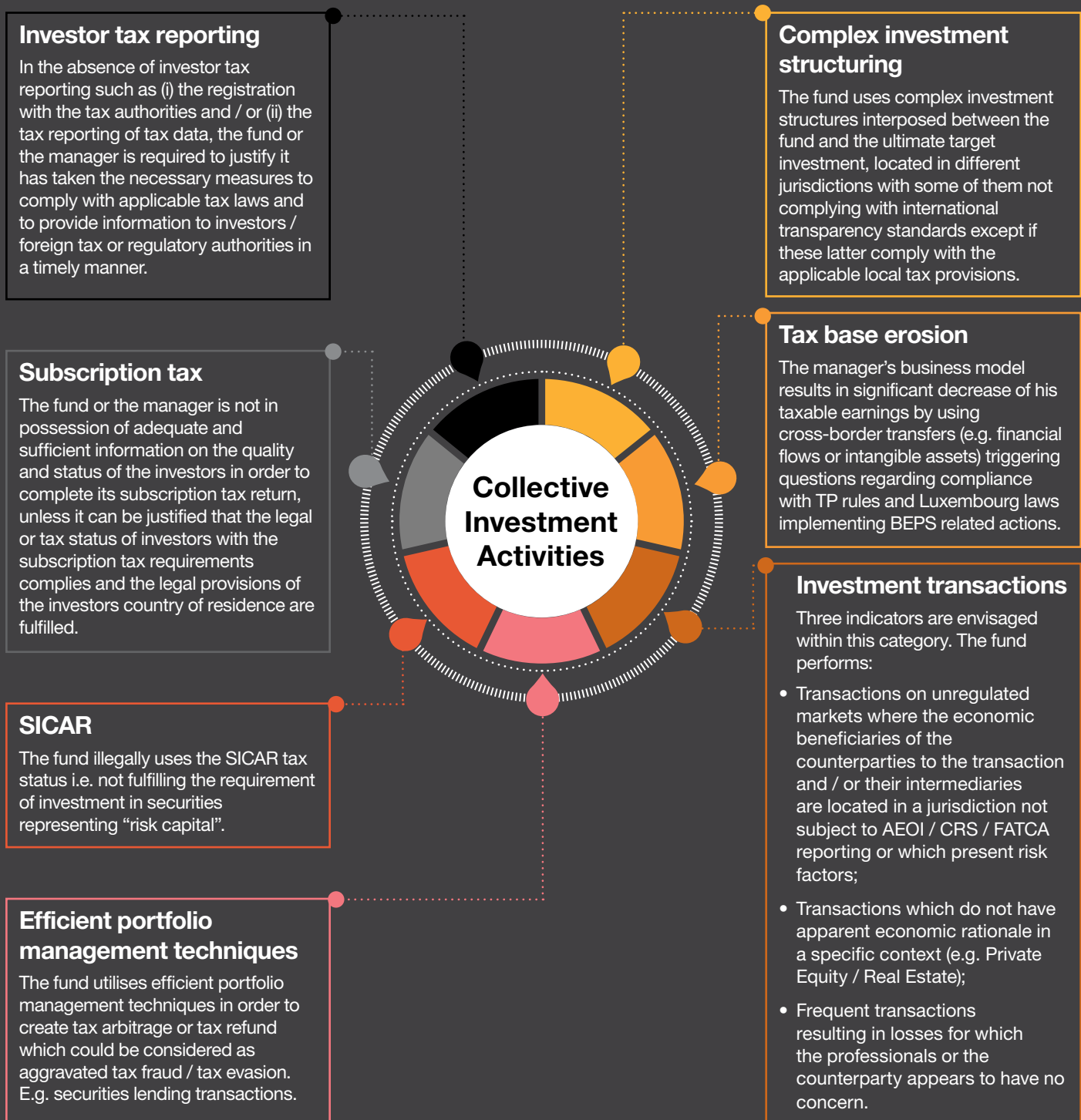
Indeed, compliance officers may face difficulties distinguishing:

- legitimate investment structures/tax planning; and
- fraudulent (tax) structures.

This could result in a slowdown in the manufacturing of the products and the onboarding of investors and/or filing more reports to the Financial Intelligence Unit.



# Indicators



*If an indicator or a combination of indicators raises doubts, the business relationship / transaction shall be examined in order to verify if doubts are justified given the context of the transactions and the knowledge of the client's situation (KYC and KYT). Where doubts remain, reporting to the Financial Intelligence Unit (FIU) has to be done. List of indicators is not exhaustive and a single indicator, or even several, are not necessarily sufficient. or raising*

# CSSF Circular 20/744

## How can we help you?

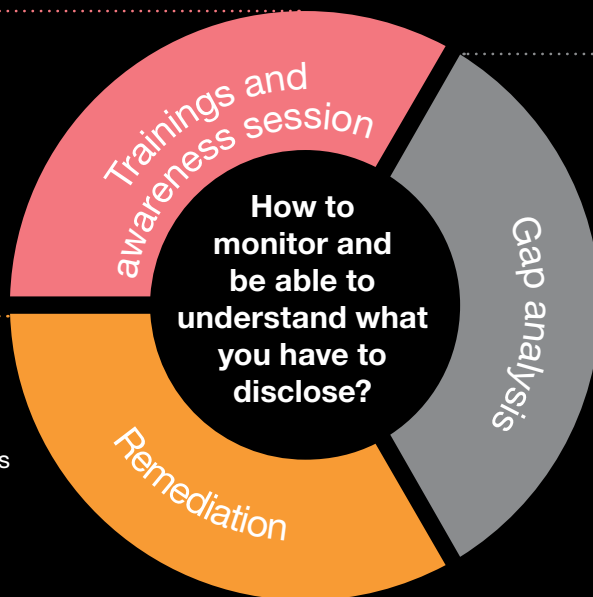
**Your tax function should evolve in order to encompass the new AML tax requirements. To be in control of the 9 indicators defined above, what do you need to do?**

### Training and awareness session

### Remediation/Implementation

Depending on the conclusions of the gap analysis, you may need to enhance:

- Your Data & Technology (IT systems of data collection, storage and automatisisation);
- Your People element (Training, Delegation, Assignment);
- Your Processes (Manual of Procedure).



### Gap analysis

With these new AML tax indicators, you have new obligations to comply with.

How comfortable do you feel with your (or the one of your TA) internal processes to monitor these new indicators?

What do you need to set up?

A gap analysis will help you to identify your needs to be in full control of the 9 indicators, and assess your needs for Remediation/Implementation

As the new circular is completing the already existing tax AML and reporting obligation (e.g. FATCA/CRS, AML reporting, DAC6 etc.), we would be glad to expand our assistance to include these aspects on your demand.

# 2

## Your challenges - How we can support you



# Your challenges

**Regulatory changes are constant, and businesses need to adapt to these changes seamlessly and efficiently in order to ensure continued compliance.**

As a Luxembourg Management Company or AIFM, who needs to ensure that your company is AML/CTF compliant, as well as often serving the investment funds under your management as *Responsable du contrôle du respect des obligations* (RC), you are under a lot of pressure to get the AML compliance right and do so effectively and efficiently. With increasing regulatory and cost pressure, your compliance resources are stretched.

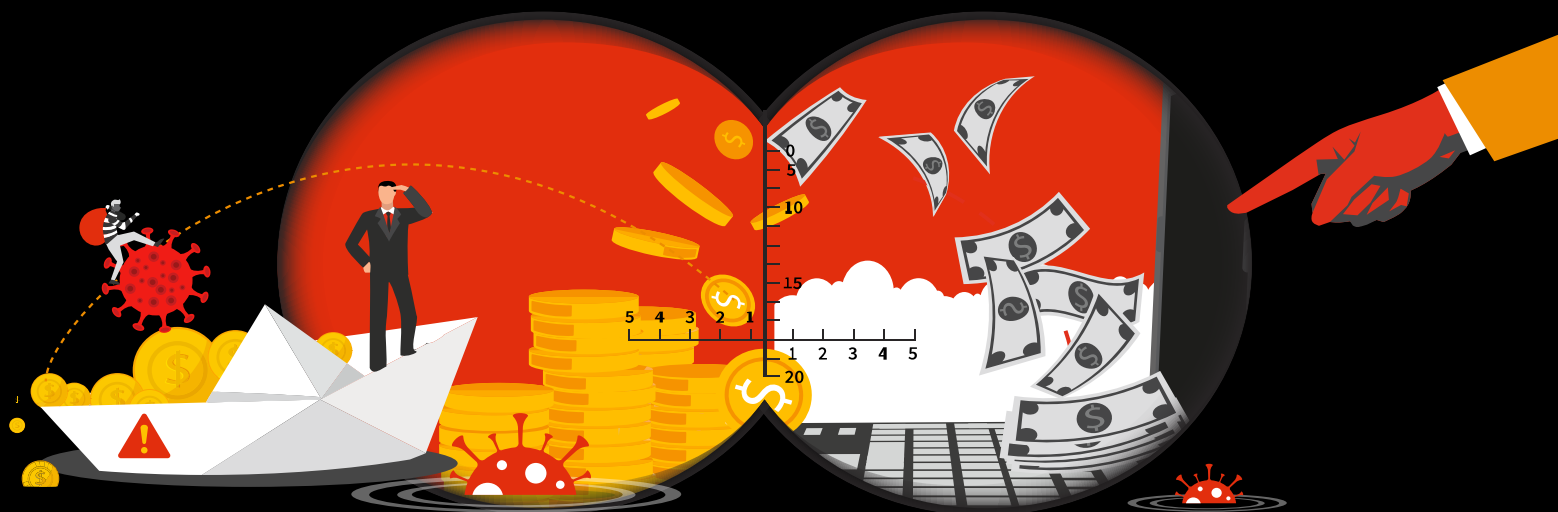
We put together this service catalogue to allow you to look for support, where you need it. Our services cover punctual support or support on an ongoing basis. We have a team of AML/CTF experts who are well versed not only on AML/CTF laws and regulations but also in knowing the business processes of Management Companies/AIFMs and related UCITS or Alternative investment funds. If you would like a conversation with us to discuss your specific requirements, we are happy to discuss tailor-made solutions that work for you.



## How we can support you

The fight against ML/CT is carried out by the Three Lines of Defence. The performance/management of the AML/CTF framework is in turn reported to Management and internal control/supervisory bodies. Establishing an adequate reporting line and a systematic oversight function with stakeholders, branches and subsidiaries is crucial for the alignment of the business strategy, risk tolerance and the residual risk/monitoring actions. The amount of information, documentation and stakeholders involved in the reporting process makes it essential to ensure your organisation has a systematic reporting line and a strong oversight function capable of effectively all business functions.





## Our services and tools can help you remain compliant with Money Laundering and Terrorism Financing laws and regulations

AML/CTF Governance review	Design or review of your risk appetite frameworks	Support you in your AML/CTF Risk Management via the PwC Risk Navigator tool	Support with data collection and completion of annual ManCo AML report - due 31 May	AML/CTF ManCo Health Check to prepare for scrutiny
AML/CTF ManCo and Fund Board Reports - Review and production	Review your AML/CTF distributors, transfer agents and portfolio managers oversight	Support with data collection and completion of annual ManCo CSSF questionnaire	Review or design your AML/CTF asset scoring model for UCITS Private Equity, Real Estate, Debt and Infrastructure Funds	Review ManCo/ Fund AML risk assessment framework
Annual Update of your AML/CTF Policies and Procedures in line regulatory changes	Reviewing your AML/CTF KYC requirements per location, reconcile with TA requirements and build a global KYC matrix	Reviewing and advising on your AML/CTF risk and control framework (risk and mitigating control test plan)	AML/CTF existing account remediation services one-time or annual support for ongoing KYC file refresh	Subject Matter expert review of higher risk KYC files
	Providing AML/CTF training to first, second and third line of defence as well as Board of Directors	AML Hotline Services		

# AML/CFT Governance review



## Your challenges

The fight against ML/CT is mostly carried out by the *Responsable du contrôle du respect des obligations* (RC), supervised by the *Responsable du respect des obligations* (RR). The performance/management of the AML/CTF framework is in turn reported to management and internal control/supervisory bodies.

Establishing an adequate reporting line and a systematic oversight function with stakeholders, branches and subsidiaries is crucial for the alignment of the business strategy, risk tolerance and the residual risk/monitoring actions. The amount of information, documentation and stakeholders involved in the reporting process makes it essential to ensure your organisation has a systematic reporting line and a strong oversight function.



## Our solutions

We can support you by:

Reviewing the existing governance structure.

Reviewing your existing roles and responsibilities to ensure the definition of adequate tasks and reporting lines and a systematic oversight function.

Reviewing the current governance reporting line processes, with a topdown and transversal direction.



# Design or review of your **risk appetite** framework



## Your challenges

Entities that identify the ML/TF risk exposure of their strategy are capable of defining their risk acceptance/tolerance and designing mitigation actions in advance that will allow the various business units to respect these risk limits.

ML/TF risk prevention starts with the definition of your organisation's acceptable risk, as described in the strategy and risk appetite approved by the organisations' supervisory body. The Luxembourg AML/CTF regulation requires implementing a clear AML/CTF risk appetite and strategy, in line with the principle of sound and prudent management and aligned with the organisation's goals in terms of AML/CTF prevention.



## Our solutions

**We can help you update your risk appetite framework annually – driving discussions among various business units, compliance and Management by:**

Identifying the AML risk exposure your strategy represents.

Supporting the quantification and definition of the risk limits (KPIs).

Designing criteria for a risk appetite for client onboarding and trigger reviews based on time and events, and subsequently, a practical and balanced client risk rating.

Consolidating the risk acceptance approach from stakeholders for informed decision making/to assist the Board of directors.

# Support in your AML/CTF Risk Management via the PwC Risk Navigator tool

Regulatory changes are constant, and businesses need to adapt to these changes seamlessly and efficiently in order to ensure continued compliance. The CSSF has put in place an on-line survey (questionnaire) in order to collect standardised key information concerning Money Laundering (ML) and Terrorist Financing (TF) risks to which the professionals under its supervision are exposed and the implementation of related risk mitigation and targeted financial sanctions measures. Completion of the questionnaire is mandatory for all the professionals subject to AML/CTF requirements.

The PwC AML4U Risk Navigator analyses and presents your data from the CSSF questionnaire for pro-active risk management purposes. Our navigator is able to simplify the analysis and allows you to manage your AML/CTF risks more effectively.

We will provide a digital and visual tool to navigate your AML/CTF risk and to complement questionnaire data sets with additional data. The tool is easy to use, and simplifies the process of sharing AML/CTF risk management with management and boards, not only in times of remote work. It will further provide KPIs and visual reports for comparative analysis and Risk Appetite monitoring with embedded consistency and plausibility checks. The tool will extend to regular reporting for AML/CTF risk management, provided that you keep your data updated.



# Support with data collection and completion of annual **ManCo AML report** - due on an annual basis



## Your challenges

Since the entry into force of the CSSF Circular 18/698, not only the annual control functions reports are mandatory to provide to the CSSF, but an individual AML report is required.

The deadline to provide such a report to the CSSF is 5 months after financial closing of the Management Company (therefore, generally 31 May of the following year in case of closing on 31 December).

The report you are required to provide to the CSSF covers a wide range of topics in the field of AML/CFT from risk assessment, due diligences, outcome of communication with FYI, distribution to the breaches identified and actions undertaken. Full details can be found in paragraph 318 of the above mentioned circular.



## Our solutions

Our assistance can take several forms:

Assistance in the collection of data required in the production of such report

Assistance in the production of a draft of this report

Quality review of a draft against regulatory requirements and to validate completeness and accuracy of the information provided

# AML/CTF ManCo Health Check to prepare for scrutiny



## Your challenges

Your Management Company is subject to many reviews by the internal and external auditor. As management, you may like the comfort that all key aspects of your AML/CTF governance framework cover the regulatory requirements. We can provide you with an independent view by verifying key points and providing recommendations to you:

### Review of policies and key governance framework documents:

Gap analysis of AML/CFT policies and procedures to ensure that Luxembourg AML/CFT most recent Laws and Regulations are covered

Review of the ManCo AML/CFT Risk Appetite Framework including KPI

Review of the ManCo AML/CFT Risk Assessment methodology

Review of Country Risk Assessment methodology and a sample of country risk analysis



## Our solutions

### Processes and sampling:

1. Observation and analysis of the process used for AML/CFT sanction screening and the analysis of screening hits with some sample testing
2. Observation and analysis of the suspicious transactions and suspicious activity screening process and systems
3. Sample testing of ManCo Customer and other counterparty KYC files to test completeness and compliance
4. Corroborating that AML CSSF questionnaire was appropriately completed by tracing back answers to source data on a sample basis
5. High level gap analysis of AML TA oversight plan and TA oversight measures, based on recent TA oversight exercise (sample)
6. High level gap analysis of AML Investment Manager oversight in relation to performing AML on assets, with some sample testing

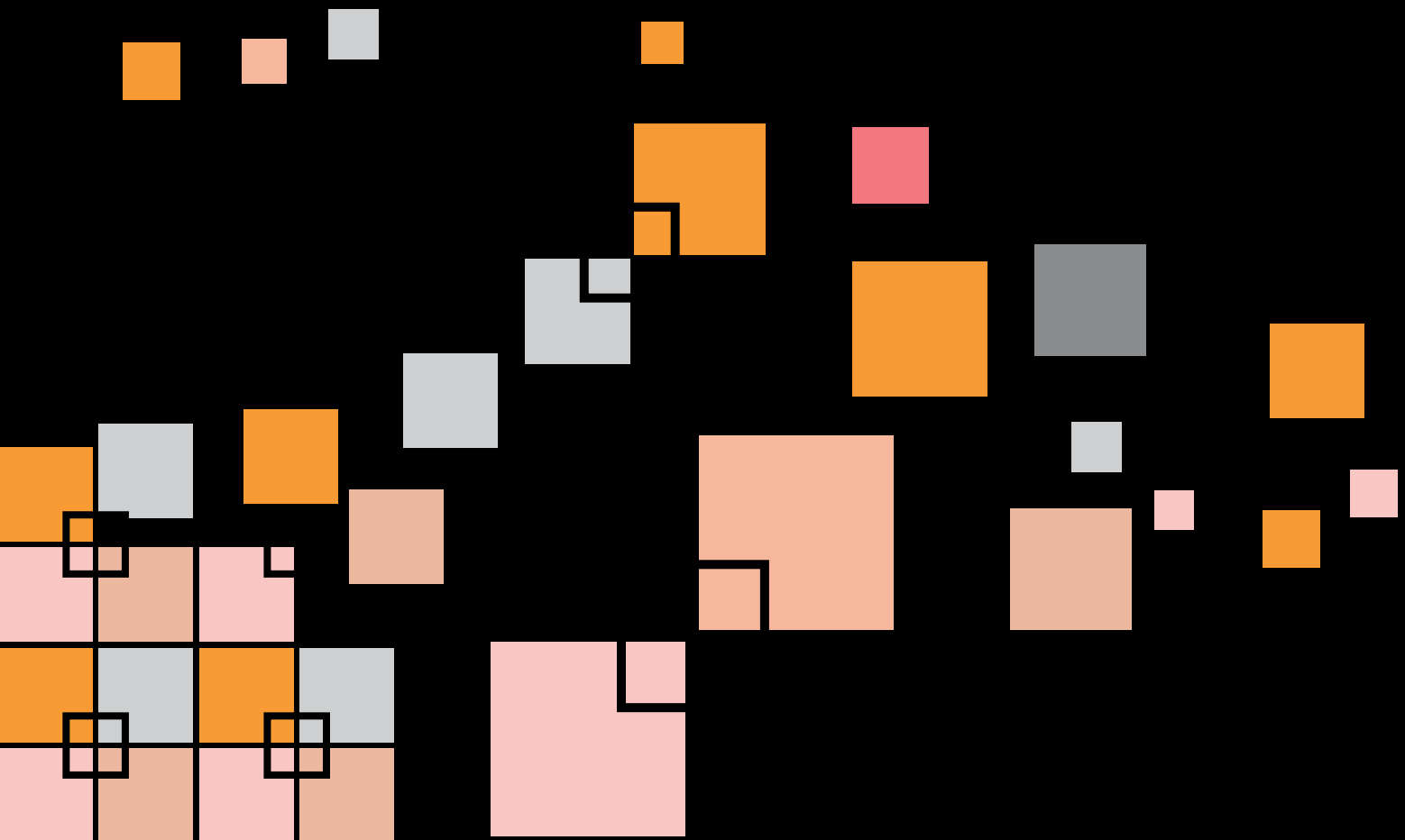


# AML/CTF ManCo and Fund Board Reports - Review and production

Boards of Directors of Funds and the Board of Directors of the ManCo receive quarterly (Luxembourg) and annual (Luxembourg and Ireland) Board Reports including the AML/CTF section.

We can support you by independently reviewing the AML/CTF section of your quarterly and annual ManCo and Fund reports to provide you with enhancement recommendations.

We can further support you with the production of the reports on a quarterly or annual basis by providing AML/CTF SME resources to you.



# Review your **AML/CTF** distributors', transfer agents' and portfolio managers' oversight



## Your challenges

Oversight of your distributors, transfer agents, and portfolio managers is key from an AML/CTF perspective. All three have an active role to play in helping you comply with your AML/CTF requirements.

Having an appropriate and robust oversight strategy over your distributors, transfer agents and portfolio managers therefore enables you to ensure their compliance with your own expectations, along with the key regulatory requirements.



## Our solutions

We can support you by:

Reviewing you on your Distributors/Transfer Agent /Portfolio Managers' oversight internal controls and communication flow, including the design of adequate oversight measures (e.g. due diligence questionnaires, ongoing monitoring, KPIs, etc)

Reviewing the multi-annual distributor oversight plan including distributor risk rating and the proper calibration of risk factors

Review the reporting between your Transfer Agent and your Portfolio Managers and RR/RC/MLRO, Management Company and Board of Directors of the Funds

Review oversight policy for Distributors/Transfer Agent or Portfolio Managers

# Support with data collection and completion of annual ManCo **CSSF** questionnaire



## Your challenges

According to Art. 4 (3) of the CSSF Regulation 12-02 as amended in August 2020, the ManCo is required to have a robust process in place to answer the annual CSSF questionnaire completely, accurately and within the required timeline. We can support you in this process:

The main objective of AML4U CSSF's questionnaire is to create an automated process allowing the regulated entities to facilitate the response to the CSSF questionnaire and "on-demand reporting" by understanding, identifying and validating the AML/CFT related information and supporting source systems and databases (external and internal) from which data can be extracted to the production of the different deliverables (CSSF questionnaire, KRI, etc.).



## Our solutions

We can support you through a two-step process:

### Understand and Design

- Identify relevant data (identify data quality checks; review existing applications and system diagrams; validate the best applicable technology and your preferences to fit the overall requirements; start drafting the data dictionary; organise interviews and walkthroughs with key stakeholders;
- Build extraction scripts (data-mapping; define data flow in collaboration with your internal data owners and with our IT specialists; implement data assurance and quality checks);
- Define database requirements (we can propose a database structure containing all the relevant supporting information mandatory in the production of the deliverables).

### Implement

- CSSF questionnaire (we can create an automated process allowing you to facilitate the response to the CSSF questionnaire and "on-demand reporting");
- AML Risk Navigator tool - allows you to visualise the full detail of the CSSF questionnaire by areas of risk and manage your risk accordingly. (see slide 8).

# Review or design your **AML/CTF asset scoring** model for UCITS Private Equity, Real Estate, Debt and Infrastructure Funds



## Your challenges

As with pre-engagement screening, ManCo's are required to score assets, by fund and for the ManCo overall. The model used often includes several parties and decision makers. We can support you with a pre-designed tool and scoring model that meets Luxembourg AML/CTF legal and regulatory requirements to help navigate the complex area to be sure that you are compliant. We can also review the scoring model in place in your organisation.



## Our solutions

We can support you by:

Formalising your asset scoring model

Assisting you with the implementation and customisation of the tool, including methodology

Reviewing your existing scoring model



# Review ManCo/Fund **AML risk assessment** framework



## Your challenges

The obligation to perform a risk assessment is a legal requirement according to article 2.2 of Law of 12 November 2004, and CSSF Circular 11/529. It is a way for organisations to assess and monitor their risks and keep them under the limits accepted/risk tolerance as well as to assist them in implementing internal control measures to mitigate these risks. The risks that entities must take into consideration when assessing their risk exposure relate to their customers, geographical areas, products and services and distribution channels.



## Our solutions

### We can support you by:

Assisting you with updating your risk assessment with a tool that can be tailored to your specific set up. It calculates inherent and residual risk. This is to ensure that you are adequately identifying the inherent risks applicable to your organisation and quantifying the customer, product, service, geographical and distribution channel risks

Reviewing your quantitative and qualitative methodology and the way you calculate your inherent risk and residual

Supporting you with your annual assessment of mitigating factors, annual reports submitted to governance

# Annual Update of your **AML/CTF** Policies and Procedures in line with regulatory changes



## Your challenges

Policies and procedures should be designed in a way that ensures compliance with the applicable EU Directives, and Luxembourg or Irish Laws, regulations and circulars and must be reviewed at least annually in order to ensure that it is accurate and includes any changes in ML/TF Law and Regulations and /or changes in your entities' business activity.

Whilst your policy establishes the principles and minimum standards for ML, TF and sanctions risk management and compliance, your operating procedures specify your control framework adopted by your business on a day-to-day basis.



## Our solutions

### We can support you by:

Reviewing your existing policies, procedures and controls on an annual basis to ensure that they are compliant with the applicable regulations, in line with international best practices and fit-for-purpose for your specific industry, and if not, designing new policies and procedures that are compliant

Performing a gap analysis between your existing procedures and new laws or amendments and assess the concrete impacts (e.g. client remediations, changes to your systems and processes, changes to your Transaction Monitoring system) and assessing the workload expected to address the gaps identified

# Review your AML/CTF KYC requirements per location, reconcile with TA requirements and build a **global KYC matrix**



## Your challenges

The fight against ML and TF is global, and as it is constantly changing and developing rapidly, countries are obliged to amend their laws and regulations in line with global standards and new threats and vulnerabilities surrounding this topic. Keeping up with policy changes and amendments might seem daunting. More so when you are a global corporation with subsidiaries in several countries, and you are required to compare AML laws in various jurisdictions with one another on a continuous basis.



## Our solutions

We can support you by:

Reviewing your AML/CTF KYC requirements per location, and assisting you in understanding any gaps and similarities

Reconciling AML CTF requirements identified above with TA requirements, and assisting you in building a global KYC matrix to be implemented across your organisation

Assisting you in interpreting regulatory requirements

# Review and advise on your **AML/CTF risk and control framework** (risk and mitigating control test plan)



## Your challenges

According to Article 4 of the CSSF Regulation 12-02, you are required to identify, understand and assess your AML risk, and have appropriate measures in place to mitigate that risk. Similarly, Section 30A of the CJA 2010 requires a Designated Person to carry out a Business Risk Assessment.

As part of your overall strategy, a risk that is assessed as an inherent risk is to be reduced to a residual risk, which respects your defined AML/CTF risk appetite. The organisation and documentation of the risks and the relating mitigating measures in a risk and control matrix, help ensure that all risks have been identified and clearly document the commensurate measures that help you address this risk. This risk and control matrix then allows you to self test, on a sample basis, that the related measures indeed are suitably designed, in place, and are operating effectively.



## Our solutions

We can support you in the development of such an AML/CTF risk and control matrix, documenting risks, controls and an appropriate self-testing strategy. The overall methodology used is a tried and tested methodology that originates from preparing clients for an ISAE 3000 certification.

**The areas to cover follow the structure of the AML/CTF laws and regulations:**

- |  |                                |
|--|--------------------------------|
| • Risk Appetite                                    | • Cooperation with Authorities |
| • Risk Assessment                                  | • Training                     |
| • Risk Based Approach                              | • Hiring Employees             |
| • AML/CTF Internal Management and Governance       | • Transaction Monitoring       |
| • AML/CTF Customer and counterparty identification | • Sanction Screening           |

**We can support you further, once the matrix is developed, with the execution of the self testing.**

# AML/CTF existing account remediation services one-time or annual support for ongoing KYC file refresh



## Your challenges

When combating Financial Crime (FC), Know your customer (KYC) is the foundation of Due Diligence that concerns the precise identification of customers and business partners. A robust KYC programme can support an organisation-wide compliance with laws and regulations and mitigate FC risks.

### KYC:

Prevents financial institutions from being used, intentionally or unintentionally, by criminal elements for FC activities;

Helps financial institutions to better understand their customers and their financial dealings, which enables prudent risk management.



## Our solutions

Customer or business remediations are an essential element of any organisation's AML Compliance programme, and can be a frustrating and time-consuming process. Remediations can be needed at any time, due to a trigger event such as a change in the law or in your organisation's risk appetite or because you face backlogs in your on-going review of files.

PwC utilises the power of our synergistic team by bringing together a mix of subject matter expert and technology capabilities to help our clients diligently meet their CDD/KYC obligations in an easy and innovative way. Conducting a thorough and timely data cleanse to remove data duplicates and inconsistencies is also a key element. We design CDD/KYC specific solutions to offer wide-ranging support and defence against FCs, while reducing your number of CDD/KYC issues, in particular when it comes to remediating your client populations.



# Subject matter expert review of higher risk KYC files

**Higher risk KYC** files require enhanced due diligence measures to be applied, and some structures are often extremely complex in nature.

We can support you by providing on demand AML/CTF and AML Tax SME support on an ad-hoc or ongoing basis to assist you in understanding and assessing specific complex or high risk cases, working on your systems and at your premises to ensure high quality delivery.



## Provide AML/CTF training to first, second and third lines of defence as well as Board of Directors

Our PwC Financial Crime team offers a variety of training through several mediums such as online workshops, online training and onsite training/workshops and e-Learning.

The training is presented by subject matter experts with operational and legal experiences that could help address your issues from both a regulatory perspective and best standard practices perspective.

Our aim is to bring our know-how and leverage on our experiences when tailoring our training solution to your needs. Due to the continuous change in AML regulations, our subject matter experts can support you by providing tailored training according to your business needs. Training can covers European directives, transposed laws and circulars.

This training will also be a chance to share our practical experience through our best standard practices booklet and numerous cases studies.

# AML Hotline



## Your challenges

We can set up a dedicated technical hotline with access to PwC subject matter experts, offering on demand technical assistance as and when necessary, to advise you in understanding any new and specific matters related to AML/CTF regulatory requirements as defined by applicable laws and regulations in Luxembourg.



## Our solutions

We can assist you by:

Facilitating your understanding of AML/CTF prudential and regulatory questions on recent changes

Discussing AML/CTF market best practices

Discussing regulatory AML/CTF updates

Answering specific AML/CTF-related questions that you might have



# 3

## Our team





# Our Team



## Large team covering all your needs

At PwC Luxembourg, we created our AML/CFT team for Financial Services in 2002. Roxane and Birgit, outside of being recognised AML/CFT experts, have been leading the team since its creation. Today our team is composed of more than 35 professionals specialised in the various aspects of AML/CFT and focused on specific industries.



## Delivering process excellence

A flexible, scalable operating model: Our methodologies and operating model are designed to deliver an effective end to end process that ensures quality of output, while continually looking to improve productivity.



## Getting it right first time

We are acutely aware of the criticality of this work and know the importance of getting it right the first time in order to minimise the cost of rework and to ensure completion deadlines are met.



## Implementing accelerators to increase efficiency

We have a range of developed technologies and tools that could help to drive efficiencies and reduce the completion time for our work over time, therefore creating cost savings for you.



## We have done this before

We have successfully completed several large scale AML projects, and we know what it takes to deliver with quality.



## Competitive rates

We can provide skilled and experienced resources at competitive daily rates.

# For more information please contact



**Birgit Goldak**

Partner, AML Services Leader for  
Asset & Wealth Management and  
Alternatives  
+352 49 48 48 5687  
birgit.goldak@pwc.com



**Roxane Haas**

Partner, Banking  
Industry Leader  
+352 49 48 48 2451  
roxane.haas@pwc.com



**Michael Weis**

Partner, Forensic Services and  
Financial Crime Leader  
+352 49 48 48 4253  
michael.weis@pwc.com



**Cécile Moser**

Director, Assurance,  
Financial Crime  
+352 49 48 48 5617  
cecile.moser@pwc.com



We bring the  
right experts  
to you, quickly



We enable  
you to  
continue to  
run the  
business

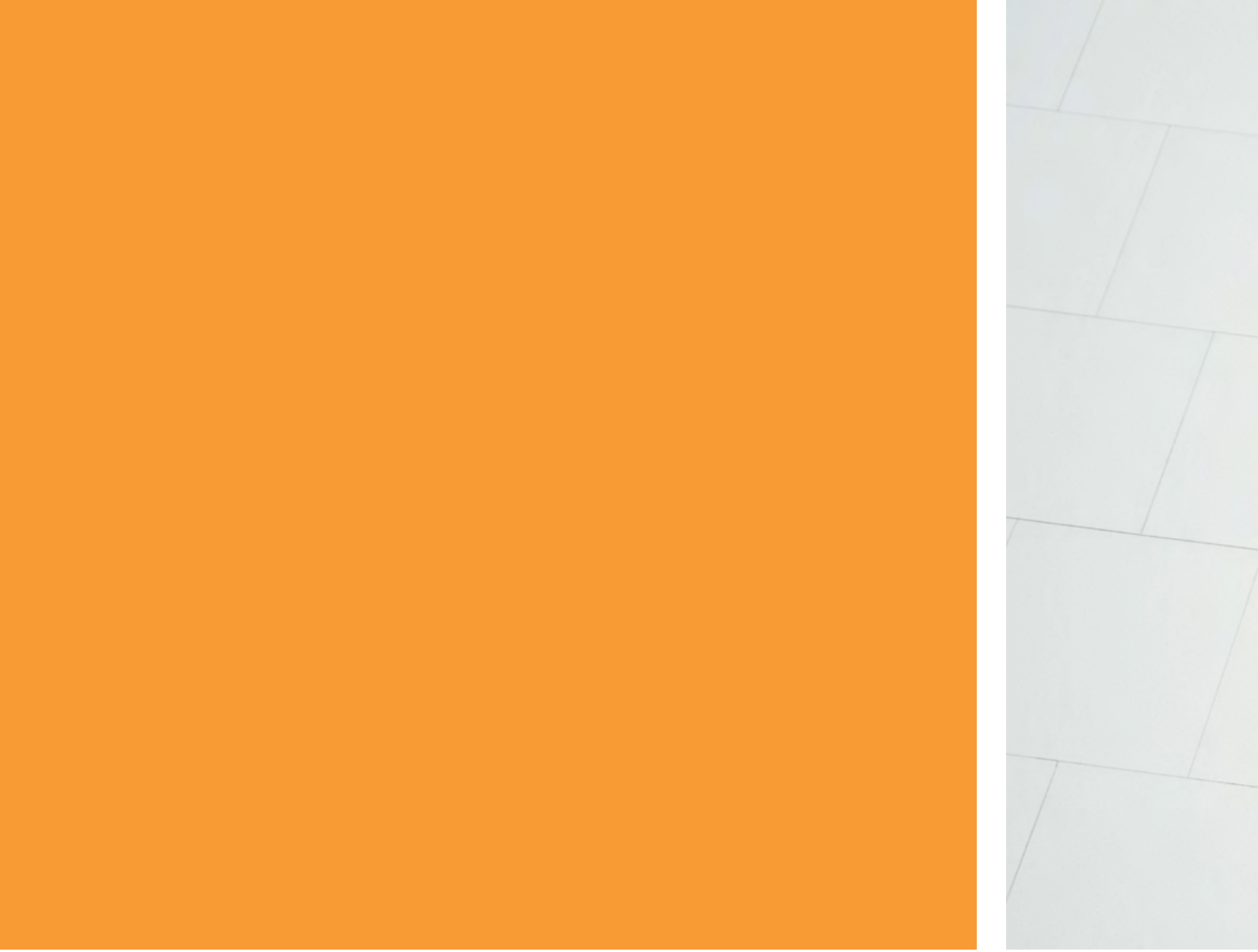


We identify  
priorities while  
not losing  
sight of the  
bigger picture



We share  
insights  
specific to  
your industry,  
region, & crisis  
type



The top half of the page features a large orange rectangle on the left and a light blue rectangle on the right. The light blue rectangle contains a faint, abstract geometric pattern of overlapping squares and lines.

PwC Luxembourg ([www.pwc.lu](http://www.pwc.lu)) is the largest professional services firm in Luxembourg with over 2,800 people employed from 77 different countries. PwC Luxembourg provides audit, tax and advisory services including management consulting, transaction, financing and regulatory advice. The firm provides advice to a wide variety of clients from local and middle market entrepreneurs to large multinational companies operating from Luxembourg and the Greater Region. The firm helps its clients create the value they are looking for by contributing to the smooth operation of the capital markets and providing advice through an industry-focused approach.

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 155 countries with over 284,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at [www.pwc.com](http://www.pwc.com) and [www.pwc.lu](http://www.pwc.lu)

© 2020 PricewaterhouseCoopers, Société coopérative. All rights reserved. In this document, "PwC" or "PwC Luxembourg" refers to PricewaterhouseCoopers which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity. PwC IL cannot be held liable in any way for the acts or omissions of its member firms.