



**INSTITUTE OF BANKING AND FINANCE
OF TRINIDAD AND TOBAGO**

Newsletter

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QUALITY CONTROL

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Independent Testing: The Cornerstone of the AML Program

by: Ms. Candice R. Huggins, Chief Compliance Officer, Regional/International Bank

The reputation of a financial institution (FI) is based on the conceptual soundness of its AML compliance program. The effectiveness of the AML compliance department depends on its ability to identify gaps and deficiencies in its compliance program and one of the more effective ways to identify gaps and deficiencies in an AML compliance program is through independent testing (one of the five pillars of an effectiveness).

The purpose of independent testing is to assist the organization's Senior Management/Board of Directors in evaluating the soundness of their FI's compliance program and areas for subsequent remediation.

Characteristics:

• Independence:

The purpose of independent testing is to assess the FI's compliance with regulatory requirements and assess the overall adequacy of the AML compliance program. Independent testing should be risk-based and evaluate the quality of the FI's risk management in relation to money laundering, terrorist financing, and other illicit financial activity risks.

The tester must be truly independent (outsourced or second and third line) and not involved in the creation or implementation of any functions being tested. This is to prevent any bias or conflict of interest when assessing potential gaps for program deficiencies.

• Frequency:

While there is no regulatory requirement to establish the frequency of independent testing, industry best practice is to conduct an independent review every 12-18 months or when there are significant and material changes to the FI's risk profile, systems, or processes.

- Is the Risk Assessment accurate and aligned with the FI's risk profile (products, services, geography, etc.)?
- Are the FI's Policies and Procedures aligned with their risk profile?
- Does the FI adhere to their own Policies and Procedures?
- Is the FI's overall process of identifying suspicious activity sufficient?
- Is the FI's record-keeping process sufficient?
- Are the FI's IT sources/systems accurate and do they support the program?
- Is targeted and ongoing training provided for all appropriate FI personnel?
- Does the FI's management take timely action to address deficiencies notes in previous reviews?

The purpose of testing is to uncover any violations or deficiencies in the AML compliance program. The benefit being the potential identification of issues that can be addressed prior to any regulatory examinations.

When a FI's program is examined by its regulator, part of the requested information for the exam will be documentation of the most recent testing results. The document request will include the final report and the related work papers.

Regulators will use the work papers to fully understand the independent testing process, findings and scope of the review. If the report and work papers are found to be thorough and appropriate by the examination team, they may rely on portions of the report, rather than reexamining those topics or they may reduce the amount of testing they perform.

• Role of Analytics:

Analytics should play a big role in AML testing by providing new insights that support evidence-based decision-making. For example, analytical testing information provides senior management and the board, with detailed data about the efficiency of a compliance program can help underpin an argument for more resources to manage the additional work that a new line of business will bring.



This analysis can give stakeholders assurance that the AML program's technology solutions are working as they should.

There are six (6) key methods financial institutions should utilize to ensure a robust approach to AML program analysis. These include:

1. Model Validation – A model validation review can help ensure that models are up to date, the logic of the models is still current, and that the model is complete in its structure. It also gives assurance that the firm is compliant.

2. Data Profiling – Data profiling is the process of analyzing an existing data source to provide statistics and information about the data. Data profiling enables firms to demonstrate that they have a proper understanding of the source of data for risk ratings and transaction monitoring. Firms need this understanding of the existing data they have within their technology systems to be sure they are correctly monitoring transactions for suspicious activity.

3. Data Quality – Data quality is very important for achieving the correct AML transaction monitoring outcomes. Poor quality data can lead to a high rate of false positives or else missed criminal activity. Data quality checks should include a review of selected samples of source-to-target data maps, paying particular attention to fields that can be troublesome. Data within the technology system of origin should be compared with the data as it appears within the AML solution that is using it to be sure it is being communicated correctly.

4. Above the Line/Below the Line (ATL/BTL) Testing – One way of tuning AML transaction monitoring models is through applying statistical methods known as Above-the-Line (ATL) and Below-the-Line (BTL) testing.

These approaches are used to validate and tune the thresholds and parameters of the rules in the software. To do ATL or BTL testing, the thresholds are increased or decreased in order to try and arrive at the best possible thresholds and parameters.

5. Threshold Analysis – This approach can be used to fine tune the models and enhance their effectiveness. For example, if the compliance policy currently states that case investigations need to be finished within 20 days, a new policy can be modelled in which all case investigations need to be finished in 15 days. The model will show how much of a backlog will build up using current levels of resources with the new timeframe. This kind of modelling can aid decision-making in a wide number of ways within an AML program.

6. Capacity Planning – This in-depth analysis focuses on operational aspects of a firm's AML program. For example, it can help identify which AML rules are costing the most in time and resources or which analysts are the most efficient in processing cases. Capacity planning analysis can help to ensure that an AML team is working at its best, reducing costs and increasing their effectiveness.

Independent testing stands as the cornerstone of an Anti-Money Laundering (AML) program, providing a crucial layer of objectivity and assurance. By detaching testing processes from the operational functions, it ensures a thorough examination of AML controls, detecting vulnerabilities and enhancing overall program effectiveness. This impartial evaluation not only strengthens regulatory compliance but also fosters confidence in the AML framework, ultimately safeguarding financial institutions against illicit activities and reinforcing the integrity of the financial system.

**Registration
is now open
for the
April 2024
Intake!**

bangor.ac.uk/executive-education



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TIME THAN THE PRESENT
TO INVEST IN YOURSELF &
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FINANCIAL ACUMEN”**

*Misty Anne Dorman CBMBA Graduate
Senior Manager, Policies & Training
Scotiabank, Trinidad & Tobago*



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CHALLENGED ME TO
THINK CRITICALLY &
CREATIVELY”**

*Ashley Bethel
Compliance Officer
Susquehanna Crypto (Bahamas) Limited*



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Diploma in Banking (DIB) Programme

EXAMINATION DATE:
April 27th - May 20th, 2024

REGISTRATION DEADLINE:
March 1st, 2024



TARGET AUDIENCE:

The DIB Programme is ideal for anyone interested in pursuing a career in Banking.

BENEFITS:

- DIB graduates without CAPE/GCE Advanced level passes are also eligible for admission to the UWI St. Augustine to pursue any undergraduate degree in the Faculty of Social Sciences.
- Obtain an industry-recognized professional qualification that can improve opportunities for career advancement.
- Self-study format, beneficial for busy professionals.

The administration of all courses and examinations is compliant with COVID-19 safety guidelines.

Professional Certificate For Financial Advisors (Cert. FA) Programme

EXAMINATION DATE:
April 27th, 2024

REGISTRATION DEADLINE:
March 1st, 2024



An internationally accredited self study programme that equips finance professionals with the necessary skills required to provide sound financial advice to clients.

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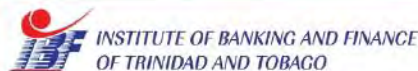
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The administration of all courses and examinations is compliant with COVID-19 safety guidelines.



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Certified Credit Professional (CCP)

This certification programme is accredited by the Chartered Banker Institute (CBI) and is offered via blended learning. Modules are delivered by UK and local tutors. Get certified in as little as 9 months! Upon completion of this programme, Certified Credit Professionals will have a comprehensive overview of the various problems and challenges that financial institutions experience in the areas of credit and lending.

"I strongly recommend the CCP programme to anyone interested in pursuing a career in the field of credit and lending"

Mr. Jonathan Superville
2021 CCP Graduate

Credit Associate Manager, Island Finance Trinidad

Registration is now open for our 2024 intake
Limited 15% scholarship available
Contact us for registration details and our payment plans

Let's hear from our Graduates...

Diploma in Banking (DIB) Programme Graduate Testimonial



Mrs. Yamuna Mohess
Business Analyst
Republic Bank Limited

I am elated to have successfully completed the Diploma in Banking Program at IBF. IBF convenient schedules provided me with the opportunity of furthering my education whilst performing my full time job as a Business Analyst at Republic Bank Limited.

It is evident that this course is appropriately paced for the adult learner and more so for anyone who may have additional responsibilities outside the office as I did, being a wife and mother of 2 wonderful boys.

I must say that pursuing this program was indeed one of the best decisions I could have ever made for myself and my professional development. It was a very comprehensive and robust experience that definitely added value to my proficient and academic experience.

The content of the program was challenging enough without being overwhelming, and I was always stimulated to learn. This program has definitely strengthened my skills and confidence as a Banker and as an individual.

Professional Certificate for Financial Advisors (Cert. FA.) Top Banking Specialization Graduate 2023 Testimonial

“ The Cert. FA program offered by IBF gives a balanced and controlled avenue to explore a relatively challenging field of study in a manageable and comprehensive way. It was designed for success, to achieve high standards in the comfort of your own space via the self-study method.

Undertaking the self-study route, established a framework of approach, consistent with the goals and parameters I got to set and upkeep for myself, based on my time and efforts. It never disrupted my work-life balance. It only added to my future time as the content of this course imbued me with a firm introduction to the banking and finance field, conducive with my desired field of work.

I will highly recommend this course to anyone seeking initiation or advancement in the world of finance. Discipline is the key! Start your journey to greatness with IBF. You will not regret it. ”



Ms. Sasha Thomas
Cert. FA. Banking Graduate 2023
Senior Deposit Clerk, First Citizens

IBF Workshop Highlights

Environmental Social Governance (ESG) Fundamentals Training Workshop

Audience: Banking & Finance Professionals

Dates: 19th & 20th October, 2023

Summary:

This workshop focused on understanding the sustainability and societal impact of investments in companies and their influence on social and environmental challenges.

Ethics for Financial Service Providers

Audience: Central Bank of Trinidad and Tobago

Dates: 23rd & 29th Nov., 2023

Summary:

This workshop provided attendees with a platform to discuss and understand the relevance of business ethics and the importance of implementing ethical practices into the organization and business life.

Advanced Anti-Money Laundering/CFT Updates & Developments: 2023 – 2024 Training Workshop

Audience: Banking & Finance Professionals

Date: 30th November 2023

Summary:

This workshop discussed recent AML/CFT compliance trends which affect banks and other Financial Institutions in 2024.

Upcoming Training Workshops

The Professional Makeover:
 Strategies for Work & Life Effectiveness
 One (1) Day Training Workshop
 January 30th, 2024
 Facilitator: Mrs. Joel-Ann Cook-Walcott
 Cost: \$1600.00 plus VAT
 Time: 8:30 a.m. – 4:00 pm.
 CPD Hours: 6
 Reg. Deadline: Jan. 22nd

Accounting and Finance for
 Non-Finance Professionals
 One (1) Day Training Workshop
 February 27th, 2024
 Facilitator: Mr. Andre Falby
 Cost: \$1900.00 Plus VAT
 Time: 9:00 a.m. – 4:00 p.m.
 CPD Hours: 5
 Reg. Deadline: Feb. 19th

Debt Recovery and
 Delinquency Management
 Two (2) Day Training Workshop
 March 27th & 28th, 2024
 Facilitator: Mr. Andre Falby
 Cost: \$2500.00 plus VAT
 Time: 8:30 a.m. – 4:00 p.m.
 CPD Hours: 12
 Reg. Deadline: Mar. 18th



*New Year Greetings
from the
Council, Management & Staff of
the Institute of Banking and
Finance of Trinidad and Tobago!*

Our Team



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