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AML-CFT COMPLIANCE

November 13, 2025



AML-CFT Compliance

Training : AML-CFT Compliance

Presented by : Compliance Officer

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Contents

- **Overview of ML/TF/PF**
- **Three Stages of ML**
- **Three Preventive Measure**
- **UNSCR Sanction Screening**
- **FATF Recommendations**
- **Types of Risks**
- **Types of Reporting**
- **Summary**
- **Discussion on CDD & Risk Profile**

A large, faint, circular logo with a blue and white speckled border. Inside the circle, the text "VDB" is in a bold, dark blue sans-serif font, followed by a vertical green line, and then "Loi" in a dark blue script font.

VDB | *Loi*

Overview of ML/TF/PF

1. Money Laundering (ML)

The conversion or transfer of property, knowing that such property is derived from any offense(s), for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in such offense(s) to evade the legal consequences of his actions.

2. Terrorist Financing (TF)

The provision or collection of funds by any means, directly or indirectly, with the unlawful intention that the funds be used to support terrorist acts, terrorists, or terrorist organizations. These funds can come from legitimate sources like businesses and charities, or from criminal activities such as drug trafficking and kidnapping, and are used for weapons, travel, training, and the execution of attacks.

3. Proliferation Financing (PF)

The act of providing funds or financial services for the acquisition, development, manufacturing, stockpiling, or use of nuclear, chemical, biological, or radiological weapons (CBRN weapons), and their means of delivery, as well as related materials, components, technologies, and dual-use goods.

Three Stages of Money Laundering

➤ 1. Placement (Hide)

This is the initial stage where illicit funds are introduced into the financial system.

- ❑ Breaking large sum into smaller deposits to avoid detection
- ❑ Mixing illegal funds with legitimate earnings
- ❑ Converting cash into foreign currencies
- ❑ Buying high-value items like real estate or luxury goods

➤ 2. Layering (Move)

This state involves obscuring the origin of the funds through a complex series of financial transactions.

- ❑ Wire transfer across borders, Shell companies and trusts
- ❑ Fake invoices or trade-based laundering, Crypto currency transactions

➤ 3. Integration (Invest)

If the layering process succeeds, this is final stage where the laundered money is reintroduced into the legitimate economy as appearing normal business funds.

- ❑ Investments in legitimate business
- ❑ Luxury purchases, Property, Loans or dividends from front companies

Three Preventive Measures

- **1. Know Your Customer (KYC):** The process of verifying the identity of a customer before establishing of a business relationship in order to prevent ML/TF.
 - ❑ Entity name, Address, COI, Extract,
 - ❑ ID, Nationality, Occupation, Contact number
 - ❑ Check against UN Sanction List, Black List, PEPs

- **2. Customer Due Diligence (CDD):** The standard process of assessing a customer's risk level and verifying their identity as part of KYC compliance to understand the nature of the customer's activities, detect suspicious behavior early, and comply with AML/CFT regulations.
 - ❑ Verifying documents and credentials
 - ❑ Risk profiling and transaction behavior analysis
 - ❑ Ongoing monitoring

Note: At the end of the presentation, we are going to discuss on CDD & Risk Profile.

Three Types of Preventive Measures

➤ 3. Enhance Due Diligence (EDD) A

deeper, more rigorous investigation applied to high-risk customers or transactions to mitigate risks from political exposed persons (PEPs), complex ownership structures (BO), or high-value transactions, and ensure transparency and legitimacy of funds.

- ❑ Source of funds verification
- ❑ Background checks/ BO
- ❑ Additional documentation(BOD, Executives)
- ❑ Obtain approval from senior management
- ❑ Ongoing scrutiny and reporting

UNSCR Sanction List

- **UNSCR Sanction List:** UN Sanction Screening is the process of checking names and details against official UN Security Council Sanction Lists, which target:
- ❑ Terrorist groups (*e.g., Al-Aqida, ISIS*)
 - ❑ Proliferator (*e.g., North Korea, Iran*)
 - ❑ Entities destabilizing regions (*e.g., Taliban*)
 - ❑ Human rights violators

FATF Recommendations

The Financial Action Task Force (FATF): The global money laundering and terrorist financing watchdog. It sets international standards that aim to prevent these illegal activities and the harm they cause to society.

➤ **Beneficial Owner (BO):** The natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted.” It also includes individuals who exercise ultimate effective control over a legal person or arrangement.

- ❑ FATF (*who has control 25% and above*)
- ❑ AML Rules (*who has control 25% and above*)
- ❑ CBM (*who has control 20% and above*)
- ❑ DICA (*who has control 5% and above*)

FATF Recommendations

- **Political Exposed Persons (PEPs):** An individual who is or has been entrusted with a prominent public function. This includes not only the person themselves but also their family members and close associates, due to the potential risk of abuse for corruption, money laundering (ML), or terrorist financing (TF).
- ❑ Check for PEPs
 - ❑ Obtain approval from senior management before providing services
 - ❑ Identify wealth and financial resources
 - ❑ Conduct ongoing enhanced due diligence

FATF Recommendations

➤ **High-risk Jurisdictions:** These countries are subject to FAFT calls for action and countermeasures:

Myanmar (Burma)

- ❑ **Risks:** Weak AML/CFT enforcement, limited progress on FATF action plan
- ❑ **FATF Action:** Enhance due diligence (EDD) required; countermeasures may be considered if no improvement by Oct 2025

North Korea (DPRK)

- ❑ **Risks:** Proliferation financing, money laundering, terrorist financing
- ❑ **FATF Action:** Terminate correspondent banking, close bank branches, restrict financial transactions

Iran

- ❑ **Risks:** Terrorist financing, proliferation financing, AML deficiencies
- ❑ **FATF Action:** Reinstated countermeasures due to lack of progress on key conventions and controls

FATF Recommendations

➤ **Grey-list Jurisdictions:** These countries are working with FATF to resolve deficiencies but are not yet subject to countermeasures:

- ❑ Algeria, Angola
- ❑ Bolivia, Bulgaria, Burkina Faso
- ❑ Cameroon, Cote d'Ivoire
- ❑ Democratic Republic of Congo
- ❑ Haiti, Kenya, Laos, Lebanon
- ❑ Monaco, Mozambique
- ❑ Namibia, Nepal, Nigeria
- ❑ South Africa, South Sudan, Syria
- ❑ Venezuela, Vietnam, Virgin Islands (UK)
- ❑ Yemen

FATF Recommendations

➤ **Designated Non-financial Business and Professions (DNFBPs)”**

Lawyers, notaries, accountants or legal professionals carrying out transactions acceptance and entrust of money and property of a client performing the following activities:

- ☐ Buying and selling of real estate;
- ☐ Managing of client money, securities or other assets;
- ☐ Management of bank, savings or securities accounts;
- ☐ Organization of contribution for the creation, operation or management of companies; and
- ☐ Creating, operating or management of legal persons or arrangements, and buying and selling of business entities.

Please see: AML Law: Sec 3 (w) (iv)

- **Reporting entities:** Shall report to the FIU in accordance with the procedures if there is a transfer of money or property exceeding the threshold (**USD 10,000**) or if there is reason to suspect that any money or property has been obtained through illegal means, or is related to money laundering or financing of terrorism, or is being attempted to do so.

Please see: AML Law: Sec 32

Types of Risks

➤ 1. Client/Service Risk :

- ❑ Politically Exposed Persons (PEPs), high-net-worth individuals, NGOs, trusts, shell companies
- ❑ Cash-intensive businesses, crypto-related services, offshore entities
- ❑ Unclear, unverifiable, or inconsistent income or asset origins, cross-border remittance
- ❑ Unusual transaction patterns, reluctance to provide information, frequent account changes
- ❑ High-value asset transactions (e.g., real estate, luxury goods)

➤ 2. Geography Risk :

- ❑ Residence or business in high-risk jurisdictions, countries with weak AML/CFT controls
- ❑ Sanctioned or embargoed nations, known tax heavens

➤ 3. Channel Risk :

- ❑ Non-face-to-face onboarding (e.g., online, phone)
- ❑ Use of intermediaries or third-party agents
- ❑ Anonymous or decentralized platforms

Types of Risks

➤ Non-compliance Risks:

- ❑ **1. Reputational Risk:** Customers and investors may lose confidence in organization if we are seen as failing to prevent financial crime.
- ❑ **2. Operational Risk:** Clients may close accounts or stop doing business with us, leading to sudden drops in revenue and increased strain on customer service teams.
- ❑ **3. Legal Risk:** Regulatory bodies can impose imprisonment on individuals up to 10 years and fine on entities up to 500 million kyats for direct involvement of ML. Imprisonment on individuals up to 7 years and fine on entities up to 300 million kyats for non-compliance.

Types of Reports

- **1. Threshold Transaction Report (TTR)** : A mandatory report submitted to Financial Intelligence Unit (FIU) within 24 hours, and 3 business days for remote areas when a customer conducts a cash transaction that meets or exceeds a threshold (MMK 100 Million, USD 10,000 or any Foreign Currency equivalent to USD 10,000).
 - ❑ Cash deposit into a bank account
 - ❑ Cash withdrawal, cash payment
 - ❑ Transfer of money and property exceeds threshold

- **2. Suspicious Transaction Report (STR/SAR)** : A formal report submitted to FIU immediately when a specific transaction appears suspicious or inconsistent with a customer's known profile, business, or financial behavior.
 - ❑ Refuse to provide KYC documents,
 - ❑ Economic activity doesn't match the client's profile, purchase of real estate with cash
 - ❑ Avoid reporting thresholds amount, large amount of cash from unexplained sources
 - ❑ Suspect money or property obtained illegally, use of shell companies,
 - ❑ Use of unregulated foreign exchange dealers at the borders

Summary

➤ AML/CFT Compliance:

- ❑ Strengthen AML/CFT Compliance policies
- ❑ Conduct KYC/CDD/EDD & Risk Assessment
- ❑ Provide Training to employees regularly on AML/CFT
- ❑ Monitor transactions and report suspicious activity
- ❑ Stay update with evolving regulations

Discussion on CDD & Risk Profile





Thank You
For Your Attention!