



**Anti-Money Laundering & Anti Terrorist Financing
Sanction
WMD Proliferation**

Presented by : Legal & Compliance Department

Manulife Myanmar

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AML/ATF

1. Local Regulatory and Corporate Framework on AML/ATF

Local Regulatory and Corporate Framework on AML/ATF

All employees, managers as well as Insurance Advisors of Manulife are required to attend the training according to the local law requirement.

Key AML legislations :

- The Anti-Money Laundering Law of Myanmar (Pyidaungsu Hluttaw Law No.11/2014)
- The Anti-Money Laundering Rules 2015
- The Counter Terrorism Law of Myanmar (Pyidaungsu Hluttaw Law No.23/2014)
- The Counter Terrorism Rules 2015
- Directive on Disclosure of Beneficial Ownership Information (“Directive No.17/2019) issued by the Directorate of Investment and Company Administration of the Ministry of Investment and Foreign Economic Relations
- Anti-Money Laundering Order (Order No.45/2019) issued by the Office of the President
- Directive on Customer Due Diligence for Anti-Money Laundering and Combating the Financing of Terrorism to be complied by the Insurer, Agent and Broker (“Directive No.4/2019) issued by the Insurance Business Regulatory Board of the Ministry of Planning and Finance (Now “Ministry of Planning, Finance and Industry”)
- Myanmar Laws, Rules, Regulations, Notifications, Directives and Instructions by regulator from time to time
- **Manulife Global AMLATF Policy [MFC Anti-Money Laundering and Anti-Terrorist Financing Policy] and MFC AML/ATF Compliance Manual**

2. What is AML/ATF

Money Laundering

Money laundering is the process of making the criminal origin of “dirty money” difficult to trace by transforming it into “clean money”.

Examples of illegal activities are illicit drug manufacturing and trafficking, tax evasion, arms and people smuggling, corruption, fraud, extortion, kidnapping, and theft.

Terrorist Financing

Terrorist financing involves the solicitation, collection, or provision of funds with the intention that they may be used to support terrorist acts or organizations. Funds may stem from both legal and illicit sources.

Potential Connection between Money Laundering and Terrorist Financing Activity

Money laundering is the process of concealing the illicit origin of proceeds of crime.

Terrorist financing is the collection or the provision of funds for terrorist purposes.

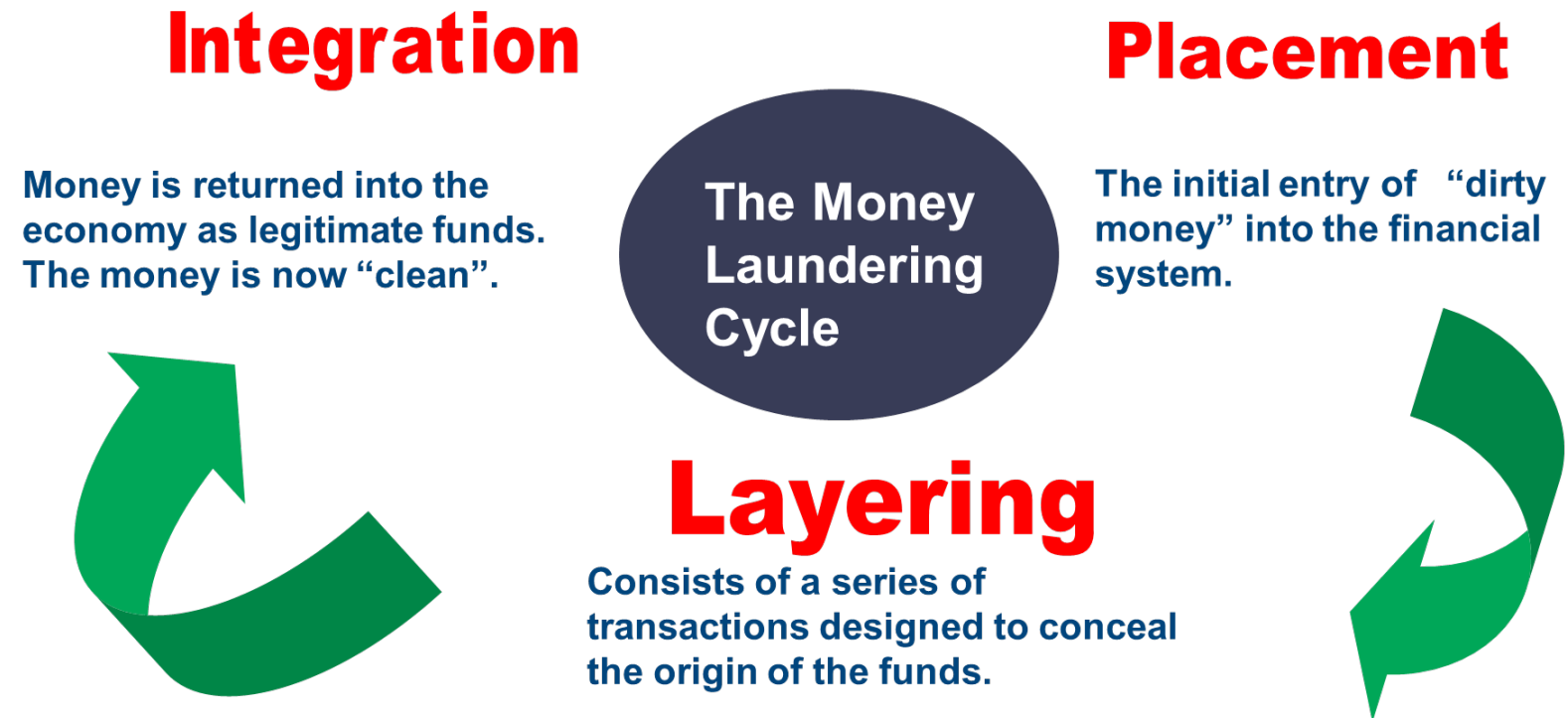
In the case of money laundering, the funds are always of illicit origin; whereas, in the case of terrorist financing, funds can stem from both legal, illicit activities, and laundered money.

3. Money Laundering Process

Money Laundering Process

Money launderers typically seek to accomplish their goals via a three-step process. These steps can be combined in a single transaction or separate distinct transactions.

The three steps are as follows:



4. AML risk assessment

AML risk assessment

- **Reporting organizations shall carry out the risk assessment of money laundering and financing of terrorism**
- **Must be recorded in writing, kept up-to-date and be ready when the authority asks for**
- **identify and assess the risks of money laundering and financing in order to mitigate such risks.**

5. Annual Self Assessment

Annual Self Assessment

- **Annual Self-Assessment is part of the Global Annual AML/ATF Self Assessment process using the template provided by the global**
 - **Signed off by the Business Unit General Manager (BUGM) and Business Unit Compliance Officer (BUCO) of Manulife Myanmar**
- Effective AML/ATF procedures are in place;
- AML/ATF procedures comply with all policies, controls measures and statutory requirements (not only local laws but also global policy);
- **All suspected ML and TF activities have been reported to appropriate regulatory authorities (MFIU & FRD) and the Global Chief AML Officer.**

6. Type of AML/ATF risks and High-Risk Customer

Type of AML/ATF risks

- Product Risk
- Customer Risk
- Distribution Channel Risk
- Country/Geographic Risk
- Transaction Risk
- Other Risk

High Risk Customer

- Known Terrorists or sanctioned person;
- Designated individuals and entities e.g., those persons or entities listed on the relevant government Alert List or other watch-lists or restricted lists from selected governments or regulatory bodies;
- The designated persons who has been requested to control or freeze their funds and assets by the regulator
- Name matches with Politically Exposed Persons (**PEPs**), Politically Exposed Foreign Persons (**PEFPs**) and Relatives and Close Associates (**RCAs**) of PEP;
- Name matches with Special Interest Person⁷;
- Linked with countries or jurisdictions that have inadequate AML/CFT laws and regulations
- Occupation/nature of Business which are high risk and others (e.g. product); and
- High Net Worth.

Note : All high-risk customer shall be escalated to MMLIC's L & C department and senior management approval before business relationship with the customer.

7. Politically Exposed Person

Politically Exposed Person

Domestic and foreign politically exposed person mean a person who is prominent or has been entrusted with public functions within the country or in any foreign country and family members or close associates of such persons; [parliament member, judge, military person, diplomat, ambassador, etc.]

International politically exposed persons mean a director, a deputy director, a member of the board of directors and a senior member of an international organization [UNDP, WHO, UNESCO, etc..]

Where a customer or immediate family members or close associates or Beneficial Owners **are PEPs**, we are required to obtain and record the following information:

- Name of the PEP
- The position held
- The source of wealth and source of funds
- Country of residence of PEP

Note : customer have to fill PEP form, and need to get approval from the senior management

Sanction

8. Sanction

- Manulife is committed to Sanction Laws and regulations of of the Global Affairs Canada with OSFI Reporting, US Department of the Treasury's Office of Foreign Assets Control (OFAC), United Nations (UN), UK HM Treasury, governments, and other global agencies as well as the jurisdiction in which we operate (Myanmar).
- MMLIC will not do business with these individuals under any circumstances
- Failure to comply can have serious consequences: punitive fines, criminal proceedings, damaged reputations and sanctioning of business activities

WMD of Proliferation

9. War Mass Destruction of Proliferation

What is WMD proliferation?

The manufacture, acquisition, possession, development, export, trans-shipment, brokering, transport, transfer, stockpiling or use of nuclear, chemical or biological weapons and their means of delivery and related materials (including both dual-use technologies and dual use goods used for non-legitimate purposes).

Financing of proliferation refers to the risk of raising, moving, or making available funds, other assets or other economic resources, or financing, in whole or in part, to persons or entities for purposes of WMD proliferation, including the proliferation of their means of delivery or related materials (including both dual-use technologies and dual-use goods for non-legitimate purposes).

9. War Mass Destruction of Proliferation

Types of Proliferation Financing

- Financing terrorism to make or use WMD terrorist organizations;
- To provide WMD support to another country or to provide funding for building capacity, development or replacements of WMD that already exists in that country;

Three Stages of Proliferation Financing

- ❖ Fund Raising
- ❖ Disguising the Funds
 - Placement
 - Layering
 - Integration
- ❖ Procurement of materials and technology
 - WMD Program

9. War Mass Destruction of Proliferation

Risk Factors of PF

- ❖ Country Risk (have imposed sanctions on military equipment; trade bans; PF sanctions; strategic weaknesses in the AML / CFT system; weak export controls; Supporting countries and neighbors in the interests of Iran and the DPRK; strong links to violence; high levels of sectarianism related to arms sales)
- ❖ Customer/Vendor Risk (Individuals / organizations on TFS PF list; close ties to the military or intelligence agencies affiliated with High Risk Countries; involved in sale, purchase and support of dual, military, proliferation sensitive products;)
- ❖ Product And Service Risk (proliferation sensitivity products or military equipment; Shipping to Sanctioned or High Risk countries; Financing projects to the sensitive industries in high risk countries; Trade financing and transaction involving high risk countries; Shipping of dual, military, proliferation sensitive products; (especially to high risk countries).

9. War Mass Destruction of Proliferation

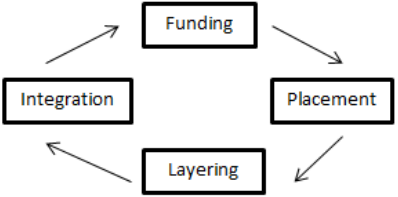
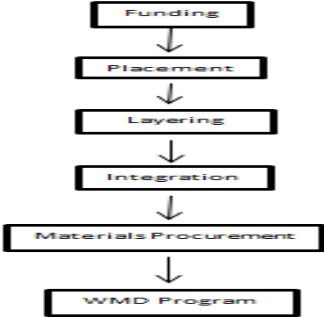
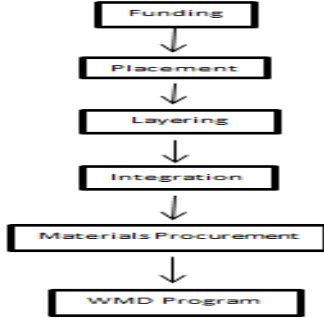
Similarities between ML, TF & PF

- Need to conceal origin of money and possessions, Ownership and the purpose of use;
- Efforts to operate in areas where the importance of financial transparency is not understood;
- Need to use the Formal Financial Sector (especially for ML & PF and less in TF)
- With the exception of ML, financial resources can come from both legal and illegal sources.

Difference between ML, TF & PF

Comparison	Money laundering	Terrorist Financing	Proliferation of WMD
Motivation	<ul style="list-style-type: none"> ▪ Benefit 	<ul style="list-style-type: none"> ▪ Religion Politics; Ideology such as beliefs; ▪ Public attention and the desire for political influence 	<ul style="list-style-type: none"> ▪ Ideology (Support for a sanctioned country) ▪ Strength / Recognition ▪ Benefits
purpose	<ul style="list-style-type: none"> ▪ To legalize illicit money 	<ul style="list-style-type: none"> ▪ To intimidate the people / force the government not to take any action against a national / international organization through the threat of terrorism. 	<ul style="list-style-type: none"> ▪ Get the tools need for WMD
Source of money	<ul style="list-style-type: none"> ▪ Illegal sources 	<ul style="list-style-type: none"> ▪ Illegal sources ▪ Official Source 	<ul style="list-style-type: none"> ▪ Illegal sources ▪ Official Source
Cash flow	<ul style="list-style-type: none"> ▪ Official Source 	<ul style="list-style-type: none"> ▪ Illegal sources ▪ Official Source 	<ul style="list-style-type: none"> ▪ legal sources
Process steps	<ul style="list-style-type: none"> ▪ Currency: ▪ Positioning - Hierarchy - Reorganization 	<ul style="list-style-type: none"> ▪ Fundraising - Relocation - Utilization 	<ul style="list-style-type: none"> ▪ Fundraising - Hiding - Access to equipment / technology
Amount of transfer	<ul style="list-style-type: none"> ▪ Large amount 	<ul style="list-style-type: none"> ▪ small amount 	<ul style="list-style-type: none"> ▪ Moderate amount

Difference between ML, TF & PF

Comparison	Money laundering	Terrorist Financing	Proliferation of WMD
Financial practices	<ul style="list-style-type: none"> Complex network transfers (Shell Co. ,, Offshore / Tax haven, bearer share) 	<ul style="list-style-type: none"> Transfers using various methods (formal fis, informal channels, smuggling, cauriers) 	<ul style="list-style-type: none"> Transfers that appear to be related to normal trade
Money flow	<ul style="list-style-type: none"> Circular shape  <pre> graph TD Funding --> Placement Placement --> Layering Layering --> Integration Integration --> Funding </pre>	<ul style="list-style-type: none"> Sequential format  <pre> graph TD Funding --> Placement Placement --> Layering Layering --> Integration Integration --> MaterialsProcurement[Materials Procurement] MaterialsProcurement --> WMDProgram[WMD Program] </pre>	<ul style="list-style-type: none"> Sequential format  <pre> graph TD Funding --> Placement Placement --> Layering Layering --> Integration Integration --> MaterialsProcurement[Materials Procurement] MaterialsProcurement --> WMDProgram[WMD Program] </pre>
Key points to identify	<ul style="list-style-type: none"> Identifying suspicious actions (transfers and behaviors) 	<ul style="list-style-type: none"> Identifying suspicious links (transfers between unrelated people, high-risk blacklist countries) 	<ul style="list-style-type: none"> Identification of suspicious person / organization / country / product / equipment

9. War Mass Destruction of Proliferation

Consequences

- ✓ Individuals and organizations targeted for financial action:
 - Availability of resources required for WMD expansion;
 - Unauthorized use of controlled finances and assets;
- ✓ Threatening with deadly weapons;
- ✓ The imposition of sanctions, such as those imposed by the UN and state authorities;
- ✓ Defamation of the State, relevant sectors and the private sector;

9. War Mass Destruction of Proliferation

Proliferation Financing Red Flags

- Connection with individuals and organization from the country which involved in PF
- Connection with individuals or organizations from the country which is acted for intermediary for such PF transactions;
- The customer / his / her business partner / address is identical to the person mentioned in the record that violates the publicly restricted or export restrictions;
- Customer / end-user actions may not be relevant to their business profile;
- the shipping business has been recorded as the final destination of the product;
- Countries having with weak rule of law and Export control laws involve in shipping / transaction routes;
- FI involve from the Countries having with weak rule of law, AML / CFT and Export control laws
- Exports of goods that are not in line with normal geopolitical trade patterns;
- According to the evidence, the value of the exported goods is less than the export cost;
- Discrepancies between the trade documents and the cash flow documents;
- Wire transfer procedures are unusual or have no apparent purpose;
- Requesting a LC transfer while a new customer awaits confirmation of opening a new account;
- Instructing or transferring wire transfer from a person who is not on the original LC or other documents or who does not have it;

10. Principle of Know Your Customer (KYC) & Enhanced Due Diligence (EDD)

Enhanced Due Diligence (EDD)

- What is EDD?

If the Customer is a High Risk customer, PEP, Enhanced Due Diligence is required to conduct.

- What is EDD process and how?

Need to obtain customer information and collect data from the customer including independent research and find the source of income

10.Principle of Know Your Customer (KYC) & Enhanced Due Diligence (EDD)

In order to cover & mitigate potential risk, we use

- sanction TOOLS (Bridger XG)
- Automated Exception Reports (AERs) (particularly for large cash transaction and suspicious transaction detections)

11. Reporting

We have to report two different regulators: 1) Myanmar Financial Intelligence Unit (“**MFIU**”) & 2) Financial Regulatory Department (“**FRD**”). There are two kinds of report :

Threshold Transaction

daily aggregated large payment-in and payment-out transactions by customers is **USD\$10,000 or more** (or equivalent of Myanmar Kyat)

- Note – **EDD is required** if the cash transaction/payment amount is equal or more than **USD 15,000**.
- reporting timeline - **within 24 hours in urban area or three (3) days in remote areas.**

Suspicious Transaction

- MMLIC staff who discovered suspicious transactions or activities from the customer **must report it to the Compliance immediately**
- Reporting timeline - **within 24 hours in urban area or three (3) days in remote areas upon detection**
- **The customer will be “red-flagged” in our system for on-going monitoring.**
- If the customer **failed or refused to provide the required information**, we are **not allowed to establish business relationship with such customer**. In such case, MMLIC should also need to consider whether to file an STR or not.

12. Record Management Program

Record Management Program

- **Ensure all relevant business records have storage periods of at least 5 years** from the date of the last business transaction.
- For such longer period as may be necessary in accordance with any request or order from MFIU or from other relevant competent authorities pertaining to a matter which is under investigation or which has been the subject of a suspicious transaction report, i.e., **need to be ready if the authority asks for ..**

13. Offences and Penalties

Offences and Penalties for Non-Compliance with AML/ATF under Myanmar Law

- Whoever commits money laundering offences could, on conviction, be punished with
 - Imprisonment – **minimum 3 year to maximum 10 year**; or
 - Fine – **minimum 100 million MMK (USD 80,000) to maximum 500 million MMK (USD 400,000)** ; or
 - Both.
- **In relation to the Secrecy: No one** from the government organization, any official and staff of the reporting organization **allow to disclose any report or relevant information** other than among employees and legal counsel. [*If violate - be punished with imprisonment for a term which may extend to three years or with fine or with both.*]

14. Training

Training

- Legal and Compliance Team will provide training to All employee and new employee at HR onboarding training day and also provided training to non-employee (agents).



Dr.Phyo Min Htet
Chief Legal & Compliance Officer

Yee Yee Mon Myint
Legal & Compliance Manager

Htut Shwe Yee
Senior Specialist

Q & A

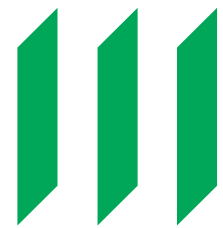
Is PEP sanction person?

(1) No

(2) Yes

(3) not relevant

(1) No



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