

By Email

27 March 2023

To the Senior Executive Officers (“SEOs”) of the AFSA FinTech Lab Participants and Authorised Firms

Subject: Outcome of the AFSA’s 2022 Anti-Money Laundering (incl CFT) Thematic Review of FinTech Firms licensed in the AIFC

Dear SEO,

The Regulatory Office of the AFSA has issued a report on the outcome of its 2022 Anti-Money Laundering Thematic Review (“the Review”) of FinTech Firms licensed in the AIFC (“Report”) by the AFSA, which summarises key observations, findings and recommendations so as to assist you in identifying any potential areas for improvement in maintaining a sound AML/CFT compliance regime within your business activities in conformity with:

- the AIFC Anti-Money Laundering, Counter-Terrorist Financing and Sanctions Rules (“AIFC AML Rules”),
- the provisions of the ‘Law of the Republic of Kazakhstan on counteracting legalisation (laundering) of proceeds obtained through criminal means and financing of terrorism’ (the “AML Law”), and
- the FATF’s 40 Recommendations.

Although the review was focused on FinTech Lab participants operating within the AFSA’s “sandbox”, many of the findings may also be of wider relevance to the Authorised Firm community too, hence we are sharing the outcome of this review with such firms as well.

Overall, the inspected firms demonstrated a sufficient understanding of the AML/CFT risks involved whilst applying relevant controls to address money laundering threats and vulnerabilities. There were a significant number of specific matters relevant to specific FinTech Lab participants, although there are broader comments we can make that will be relevant to the wider group of all FinTech Lab participants (“FTLs”) and Authorised Firms (“AFs”) who may also benefit from the AFSA’s findings. These are as follows:

- The AFSA re-iterated that the firms should have regard to the design effectiveness of their internal processes and procedures to avoid deficiencies, such as overlooking a process step or lacking sufficient clarity or details.

- The Review identified that some firms lack adequate expertise and resources in transaction monitoring technologies, and might therefore be overly reliant upon the vendors of such systems and solutions.
- In relation to the above, the onus is on FTLs and AFs to comply with AML/CFT requirements, hence it is not a defence to attribute any deficiencies solely to any vendors that may be deployed.
- In some instances, the AFSA observed that firms' internal audit functions (as a "third line of defence") needed more engagement with the business lines (the "first line of defence") and compliance staff (the "second line of defence") whilst remaining independent to confirm and give assurance on the effectiveness of an entity's overall AML/CFT controls to its Board of Directors.
- The Review also identified that some firms did not maintain an updated business-wide risk assessment, which is a key component in setting firm's risk-based approach to AML/CFT and is the foundation of a sound financial crime risk-management framework.
- As a point of note, the AFSA may take into account the findings of the Review for any matters that may arise in the future and whether firms have taken heed of the matters highlighted in the Review.
- Finally, and to emphasise Principle 11 (Relations with Regulators) wherein Authorised Persons "*must deal with the AFSA in an open and co-operative manner...*" some firms failed to respond to the Review and will be followed-up with during a separate exercise. However, as a consequence, the AFSA has restricted the business activities of such firms in the meantime.

We hope these findings will be useful to all firms in maintaining a high level of compliance with the AIFC's AML/CFT Rules and guidance.

Yours sincerely,



Gareth Ling
Deputy Chief Executive Officer, Chief Regulatory Officer

CC: Compliance Officers and Internal Auditors of Fintech Lab Participants and Authorised Firms

Attachment: The AFSA's report on the outcome of its 2022 Anti-Money Laundering Thematic Review of Fintech Firms licensed in the AIFC

Please note that the Report will also be available on the AFSA official website soon.