



# IAIS

INTERNATIONAL ASSOCIATION OF  
INSURANCE SUPERVISORS

Public

## Draft revised Application Paper on Combating Money Laundering and Terrorist Financing (Public Background Session)

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# Background

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## IAIS Application Papers

- As a standard-setting body, the IAIS develops supervisory material and supporting material.
- Supervisory material includes:
  - Insurance Core Principles (ICPs), which apply to insurance supervision in all jurisdictions and to all insurers
  - ComFrame, which focuses on the group-wide supervision of Internationally Active Insurance Groups (IAIGs) only
- Supporting material includes:
  - Application Papers
  - Issues Papers

These supporting materials do not create new standards.

- Application Papers provide additional material related to supervisory material, including actual examples or case studies that help with the practical application of supervisory material.
- Role of the proportionality principle

# Background

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## Relevant supervisory material

- The IAIS is an Observer Organization to the FATF and endorses the FATF Recommendations.
- ICP 22 (Anti-Money Laundering and Combating the Financing of Terrorism) provides the IAIS framework for supervision related to AML/CFT in the insurance sector. ICP 22 is intended to be consistent with the FATF Recommendations.
- ICP 22 was revised in November 2019 following:
  - Various updates of the FATF Recommendations in recent years
  - Publication in 2018 of the revised FATF Guidance for a Risk-Based Approach in the Life Insurance Sector

# Background

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## Objective and scope of the project to revise the Application Paper

- The Application Paper on Combating Money Laundering and Terrorist Financing (“Paper”) provides additional guidance primarily directed at life insurers and intermediaries regarding money laundering (ML) and terrorist financing (TF) risks affecting the insurance industry. The Paper was published in October 2013 and was primarily based on the then-current version of ICP 22 and on the FATF Recommendations, as revised in 2012.
- The objective of the project is to revise the Paper, in light of the revisions of ICP 22 in November 2019 and other developments described in the previous slide.
- The project is focused on:
  - Updates to align terminology and ensure consistency with the FATF recommendations
  - New guidance on elements reflected in the latest version of ICP 22

# Revised Application Paper on Combating ML/TF

## Structure of the revised Paper

1. Introduction	9. Simplified customer due diligence in lower risk cases
2. Money laundering, financing of terrorism and targeted financial sanctions in insurance	10. Timing of identification and verification
2.1 <i>Vulnerabilities in insurance</i>	11. Ongoing due diligence and monitoring
3. The risk-based approach	12. Politically exposed persons
4. Identification and assessment of risks	13. New or developing technologies and products
5. Customer risk assessment	14. Reliance on third parties
6. Customer due diligence	15. Suspicious transaction reporting
6.1 <i>Existing customers</i>	16. Internal controls and foreign branches and subsidiaries
7. Methods of identification and verification	17. Screening and training of staff
7.1 <i>Individuals</i>	18. Record keeping and retention
7.2 <i>Legal persons, companies, partnerships, other institutions and arrangements</i>	Annex 1: Money Laundering Case Studies
8. Enhanced due diligences in higher risk cases	Annex 2: Financing of Terrorism Case Studies
8.1 <i>Higher risk cases</i>	
8.2 <i>Higher risk countries</i>	

# Revised Application Paper on Combating ML/TF

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## Revisions

- The overall structure of the original version has been maintained.
- Revisions have been made throughout the Paper. Examples of main revisions include:
  - Updates of key concepts, including vulnerability in the insurance sector
  - Additional/updated guidance on:
    - Inherent risk assessment, including illustrative examples of inherent risk factors covering the four key dimensions specified in ICP 22 (ie customer-related risk, geographic-related risk, product-related risk (including service and transaction-related risk) and delivery channel risk)
    - Customer risk assessment
    - Customer due diligence
    - Higher-risk cases
    - Other key perspectives, such as reinsurance, reliance on outsourcing and usage of automated functions.
  - Additional case studies contributed from the IAIS Membership included in Annexes.

# Consultation Process

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- Public consultation link: <https://www.iaisweb.org/page/consultations/current-consultations/draft-revised-application-paper-on-combating-money-laundering-and-terrorist-financing>
- The revised Paper is presented both in clean and redlined versions. The redlined version indicates changes from the original version published in October 2013 for reviewers' convenience.
- Only comments provided via the IAIS consultation tool will be considered.
- Feedback on the revised Paper is invited by Saturday 17 July 2021 24:00 CEST (Basel Time).
- The final revised Paper is expected to be published along with a Resolution of Comments document in the November 2021 timeframe.

# QUESTIONS

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