

AML Compliance in Vietnam

SURVEY REPORT

DECEMBER 2017

AML Compliance Survey in Vietnam – December 2017

Objective of the Research

- Assessment of the Anti-Money Laundering (AML) regime in Vietnam
- Identification of major threats & challenges
- Highlighting strengths and improvement areas

Scope and Coverage

- More than 20 AML compliance officers at leading banks, financial institutions and life insurance companies answered a survey about AML processes within their organisations in December 2017

We are thankful to all the compliance officers who participated in this research, as well as to the Anti-Money Laundering Department of the State Bank of Vietnam for their support to our efforts in spreading the importance of building a stronger AML regime in the country.

AML Compliance in Vietnam – Key Takeaways (1/2)

Top organisational risks and challenges

Key risks perceived by banking, financial services and insurance (BFSI) organisations in the country are **monitoring customers that transact across several lines of business** and **understanding the sources of customers' funds**, identified by more than half the survey respondents.

Technology inadequacies or gaps were identified as the top-most challenge for the organisation by three-fourths of the survey respondents, signalling an urgent need to upgrade systems to make them more relevant to current business needs and regulatory requirements.

Technology and systems

The challenge with technology is borne out by the finding that 26% of the companies still **maintain records of customer accounts manually**, while 17% of them conduct **transaction monitoring and client screening manually**.

Procuring / enhancing transaction monitoring systems was identified as the top-most AML spending priority for organisations, signalling that organisations understand the urgency of investing in technology to improve AML compliance.

AML Compliance in Vietnam – Key Takeaways (2/2)

Risk identification and assessment

Organisations are fairly proactive in terms of risk assessments, with 63% of survey respondents conducting **enterprise-wide risk assessments**.

All the organisations that participated in the survey update **high-risk customer profiles at least once a year**, while more than 80% update medium-risk customer profiles once in 2 years.

Training and awareness

More than half the survey respondents felt that there is **not enough awareness** among all employees about the AML policy, pointing to a greater need for training and awareness generation

53% organisations have less than 4 employees in the AML compliance department. This may increase as volume of transactions as well as regulatory requirements go up in future.

Expectations from Regulators

While the AML Departments for banks and financial institutions are growing at a fast pace, **more support is expected from AMLD and the Regulator** as evidenced from the survey results.

58% of the respondents felt that **increased guidance** from the AMLD and the Regulator is required, while 79% of them felt that **regulator training programmes** should be conducted.

Top Risks or Threats Perceived by the Organisation

Monitoring customers that transact across several lines of business emerged as the biggest risk/threat perceived by the organisation, chosen by 63% of the survey respondents.

Understanding the sources of customers' funds was rated at second place, by 58% of respondents.

Additionally, 42% of the respondents considered **fraud** as a risk for their organisation.



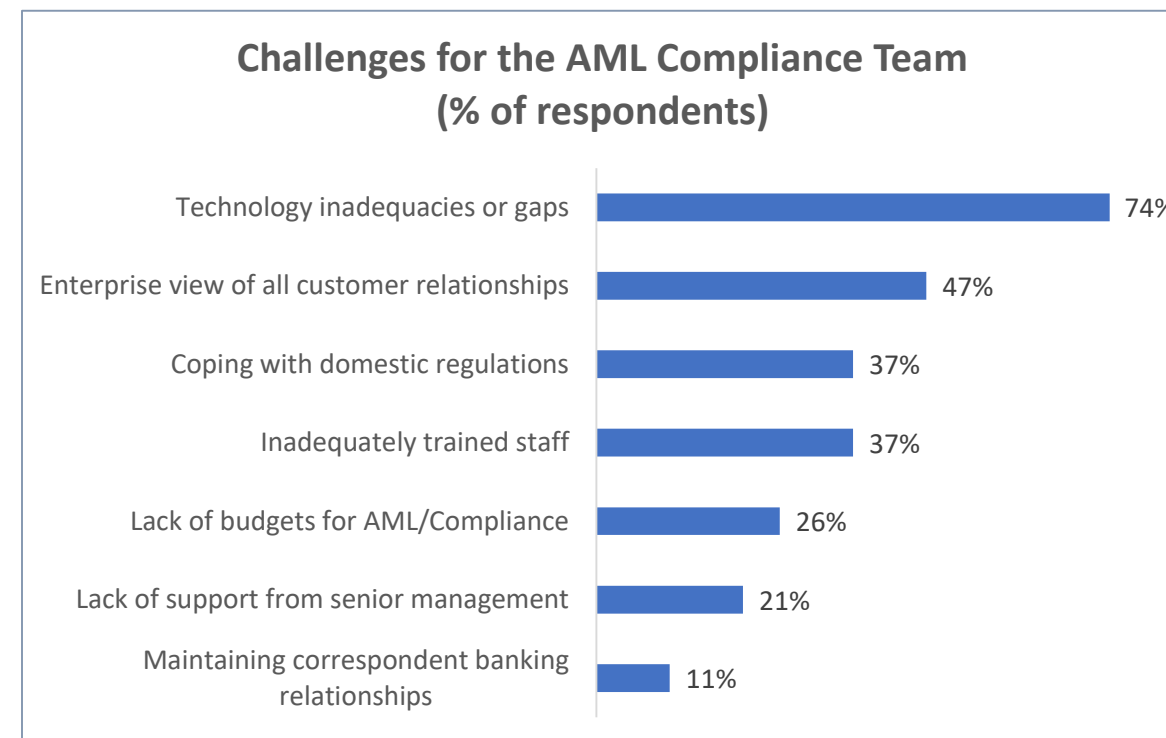
Source: Based on a survey administered to senior compliance professionals at the Fintelekt Anti-Money Laundering Summit (Vietnam) 2017 in December 2017

Challenges for the AML Compliance Team

74% of the respondents surveyed considered **technology inadequacies or gaps** as the top-most challenge faced by their organisation.

Enterprise view of all customer relationships was considered as a challenge by 47% of the respondents.

Coping with domestic regulations and **inadequately trained staff** were considered as challenges by 37% of the respondents apiece.



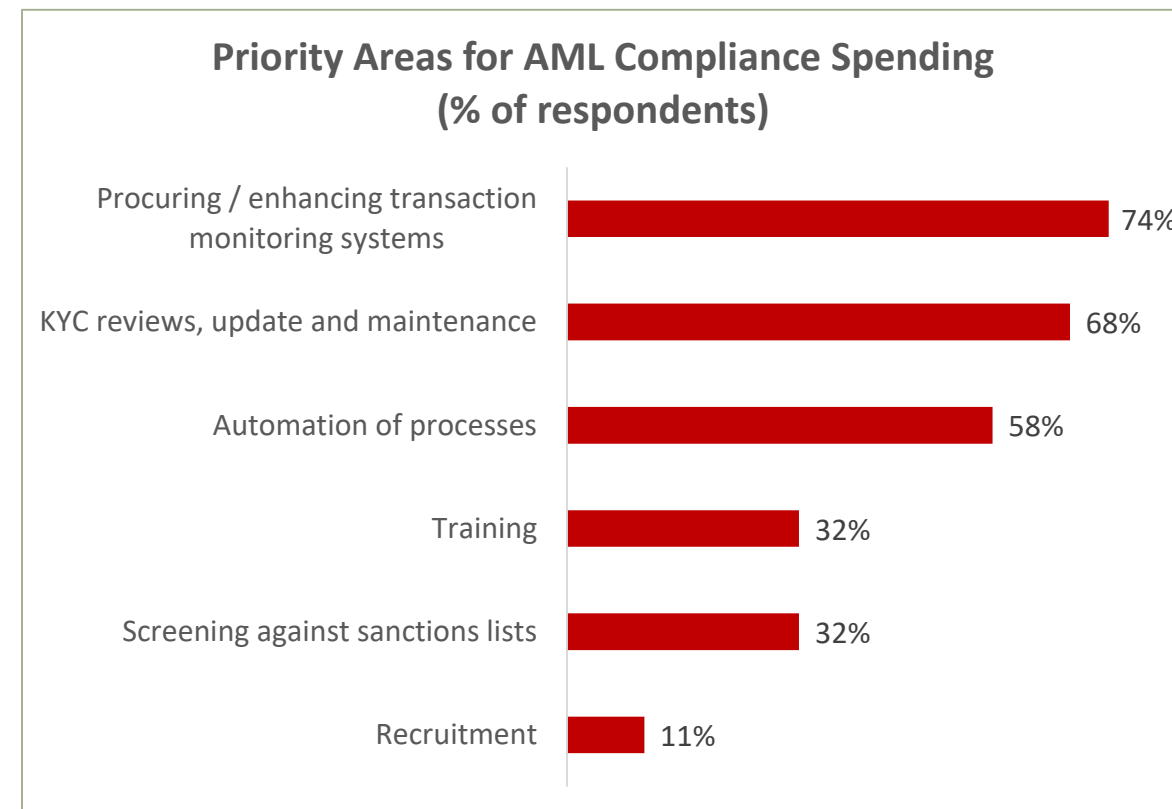
Source: Based on a survey administered to senior compliance professionals at the Fintelekt Anti-Money Laundering Summit (Vietnam) 2017 in December 2017

Priority Areas for AML Compliance Spending in the next 1-2 years

Procuring / enhancing transaction monitoring systems was considered by 74% of the respondents as the top-most priority area for AML compliance spending in the next 1-2 years.

68% of the survey respondents considered **KYC reviews, update and maintenance** as a priority area for AML compliance spending.

At the third position, **automation of processes** was considered as a priority area by 58% of the respondents.



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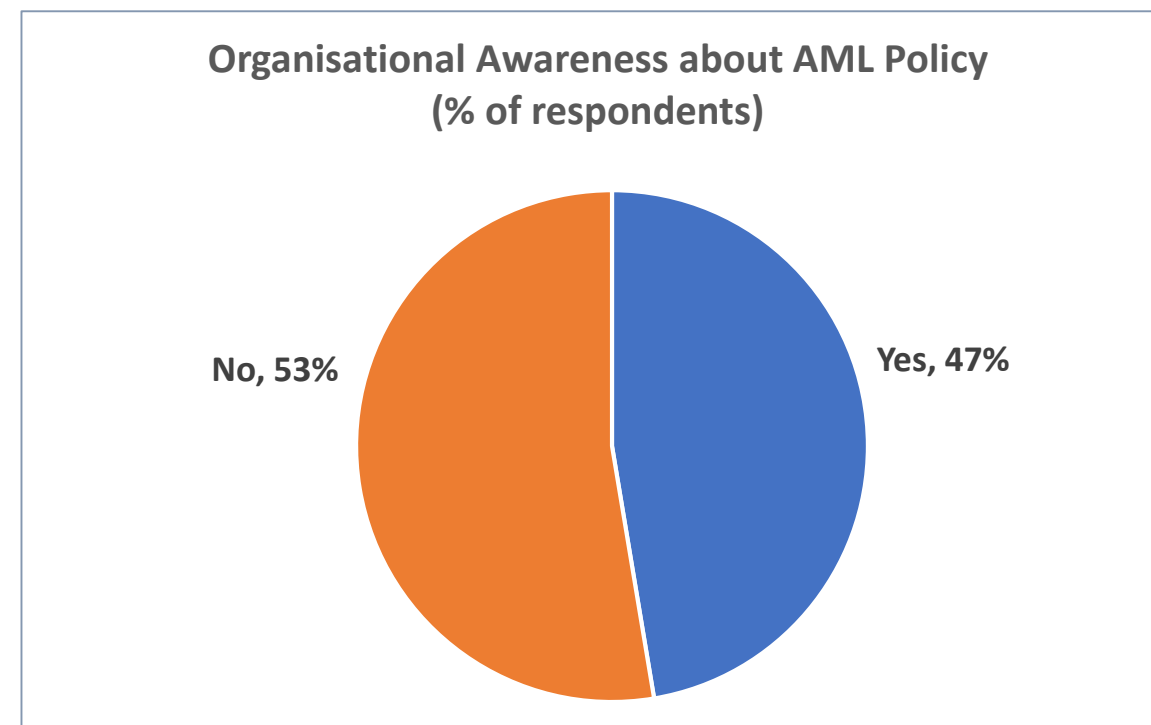
Training and Awareness

Only 47% of the respondents who participated in the survey felt that there is **adequate awareness among employees about the AML policy**.

This is despite the finding that all organisations provide **AML training to front-line staff**.

74% respondents said that their organisation provides **training to their AML compliance staff**.

Board of Directors are trained on AML compliance at 68% of the organisations that participated in the survey.



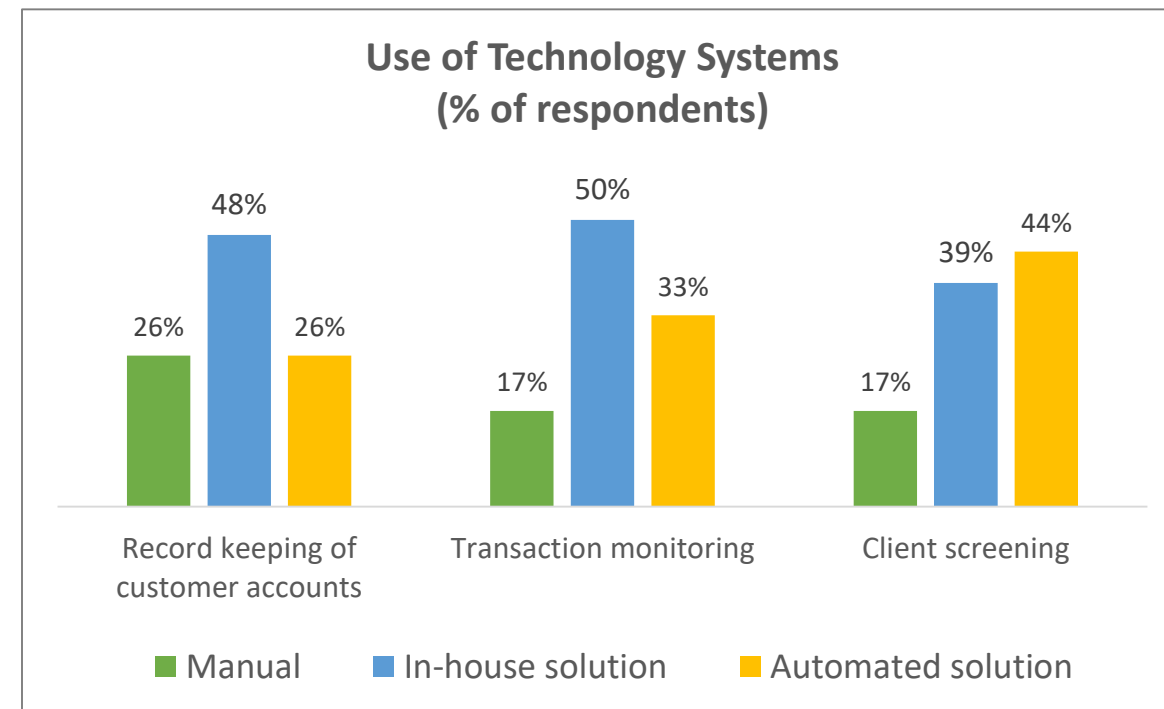
Source: Based on a survey administered to senior compliance professionals at the Fintelekt Anti-Money Laundering Summit (Vietnam) 2017 in December 2017

Use of Technology by Organisations

26% of respondents use an **automated system for record-keeping of customer accounts**, while the remaining do it **manually** or using an **in-house solution**.

The use of technology for transaction monitoring is higher, with 33% respondents using an **automated solution**. Half the survey respondents use an in-house solution.

44% of the respondents use an automated commercially available client screening solution.



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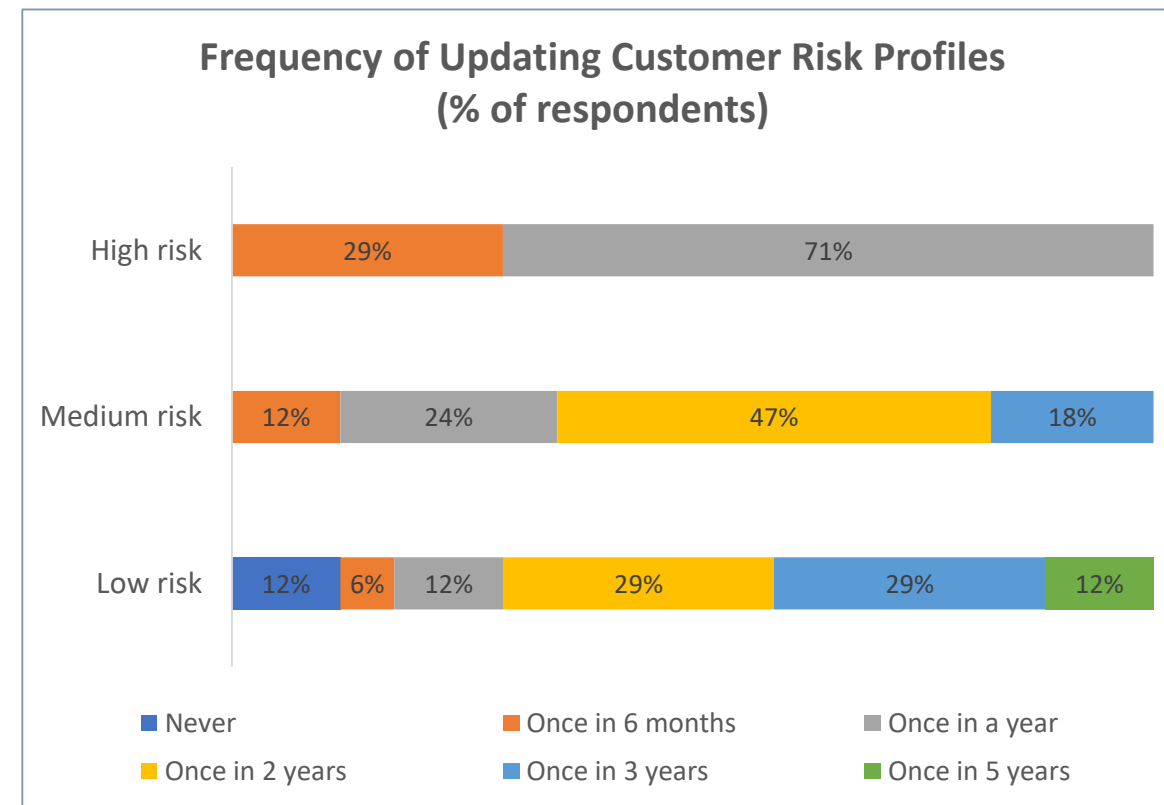
Risk Assessment & Updation of Customer Risk Profiles

63% organisations conduct an **enterprise-wide AML/CFT risk assessment**.

Profiles of high risk customers are updated at least once a year, with 29% organisations updating it once in six months.

For medium risk customers, 47% organisations update customer profiles once in two years.

For low risk customers, 12% of companies update customer profiles once in five years. 12% of the companies do not update profiles for low risk customers at all. The remaining update at least once in three years.



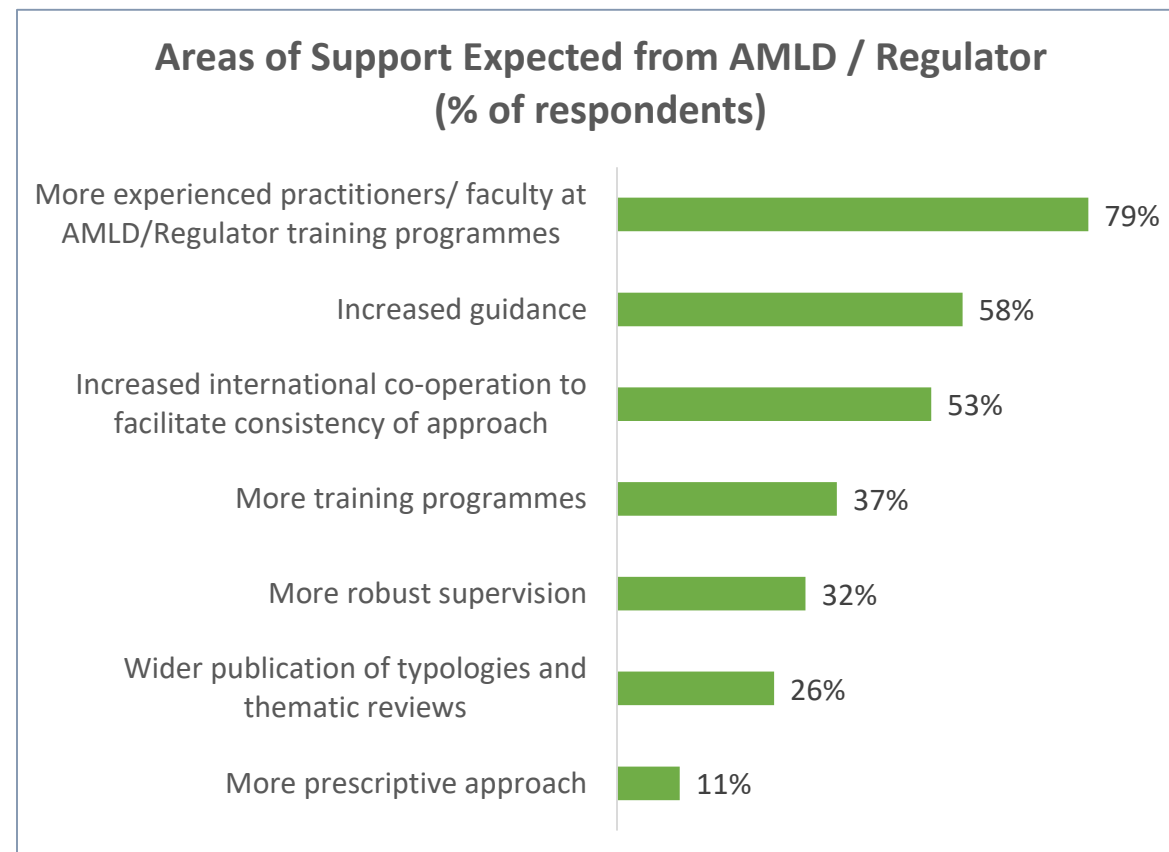
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Areas of Support Expected from AMLD and Regulator

79% of the survey respondents felt that they needed **more experienced practitioners/ faculty at AMLD and Regulator training programmes**.

58% of respondents expect **increased guidance** from AMLD and Regulator.

Increased international co-operation to facilitate consistency of approach was cited as an expected area of support by 53% of the respondents.



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