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**ANTI- MONEY LAUNDERING RISK MANAGEMENT
PRACTICES OF CONSTRUCTION HOUSING AND
INFRASTRUCTURE DEVELOPMENT BANK**

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**ANTI- MONEY LAUNDERING RISK MANAGEMENT PRACTICES OF
CONSTRUCTION HOUSING AND INFRASTRUCTURE
DEVELOPMENT BANK**

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ABSTRACT

The objectives of this study are to identify the Anti-Money Laundering risk management practices of Construction Housing and Infrastructure Development Bank (CHID Bank) with the regulatory framework and to analyze the Anti- Money Laundering risk management practices of Construction Housing and Infrastructure Development Bank. This study focuses on anti- money laundering risk management and practices and study utilized both primary and secondary data. Descriptive and qualitative research methods are used in this study. The total population of the study was 45 collection people from Risk and Compliance Department, Branches and International Banking Department. A sample size of 33 respondents was selected through simple random sampling method and sample represents 73% of population. Secondary data was studied from annual report of CHID Bank, Central Bank of Myanmar directives, Anti-Money Laundering (AML) Law and regulations, international guidelines from internet websites. The finding indicates the bank's AML risk management practices. In addition, control environment and accountability are significantly positively related the operations of the bank. The study suggests that the bank should maintain and strengthen control environment in order to stable day to day operation related with AML risk management. Thus, not only the CHID bank but also private banks and government banks should practice the AML risk management effectively.

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LIST OF ABBREVIATIONS

AML	Anti- Money Laundering
APG	Asia-Pacific Group on Money Laundering
BOD	Board of Director
CBM	Central Bank of Myanmar
CDD	Customer Due Diligence
CFT	Countering the Financing of Terrorism
CHIDB	Construction Housing and Infrastructure Development Bank
CTR	Cash Transaction Report
CSO	Civil Society Organization
DNFBP	Designated Non- Financial Business and Profession
ECDD	Enhanced Customer Due Diligence
EDD	Enhanced Due Diligence
FATF	Financial Action Task Force
FI	Financial Institution
FIU	Financial Intelligence Unit
KYC	Know Your Customer
ML	Money Laundering
NRA	National Risk Assessment
PEPs	Politically Exposed Persons
SOP	Standard Operation Procedure
STR	Suspicious Transaction Report
TF	Terrorist Financing

CHAPTER 1

INTRODUCTION

Money Laundering (ML) is proceed of crime such as tax evasion, corruption, fraud, drug trafficking and human trafficking. Money laundering (ML) is the illegal process of concealing the origins of money obtained illegally by passing it through a complex sequence of banking transfers or commercial transactions. Anti- money laundering refers to compliance with regulations, and procedures intend to prevent the criminals from disguising illegally obtained funds as legitimate income. Financial Action Taskforce (FATF) described Myanmar in its Public Statement of Non- Cooperative Countries and Territories (NCCTs) List on June, 2001.FATF action taken the Myanmar for absent of mutual legal assistant. FATF removed from NCCT List on October, 2016 because FATF was judged to be in compliance with efforts to counter money laundering and terrorist financing. March, 2006 Myanmar became a member of Asia-Pacific Group on Money Laundering (APG). The APG is the FATF-style regional body for the Asia/Pacific region. Myanmar is an APG member country; it should follow FATF recommendations included in the International Standard on Anti money Laundering.

The Central Bank of Myanmar plays key player in implementing Myanmar Anti-money Laundering plan to ensure that the financial system is not in any way compromised by illegal activities associated with money laundering . The Central Bank of Myanmar has promulgated directives to enforce the Control of Anti- Money Laundering Law, established in 2014. These Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) regulations cover the in line with Customer Due Diligence (CDD), record keeping and reporting requirement.

According to the Asia Pacific Group on money laundering (APG) Mutual Evaluation Report (2018) compliant with FATF recommendations are poor. All banks and financial institutions are required to develop effective frameworks and practices to manage their money laundering and terrorist financing risks. Sufficient customer due diligence on new and existing customers is a important part of these controls. If banks and financial institutions without customer Due Diligence, become subject to reputational, operational, legal and concentration risks, which can result in significant financial cost.

The Construction Housing and Infrastructure Development Bank (CHIDB) is also call semi government bank was established in 2013 following the promulgation of the Financial

Institution Law of 1990 and it began operations on November 11, 2014. It's also semi government bank under control of ministry of construction. Money laundering is major challenge today and is described as reputation and financial threatening in the banking industry. This study mainly focuses on the AML risk management and effective control and practices of Myanmar Banking sector and CHID Bank.

1.1 Rationale of the study

Financial Action Taskforce (FATF) listed the Myanmar in its Public Statement of Non- Cooperative Countries and Territories – NCCTs List in June, 2001.

March, 2006 Myanmar became a member of Asia-Pacific Group on Money Laundering (APG). The APG is the FATF-style regional body for the Asia/Pacific region. Myanmar is an APG member country, it should follow FATF recommendations included in the International Standard on Combating Money Laundering and Financing of Terrorism & Proliferation.

FATF removed from Myanmar its public statement in 2016 and changed black list to gray list.. Myanmar escaped from International Compliance Review Group-ICRG ongoing process in (2016 June). Myanmar entered the Asia Pacific Group on money laundering (APG) in (9-3-2016) and mutual evaluation process implemented in 2018, one year observation period to be end October, 2019 FATF will be resolution for Myanmar plenary meeting will be hold February, 2020. Myanmar National Risk Assessment processes with the technical assistant of IMF since December, 2015 were implemented. The assessment of risks related to money laundering and financing of terrorism.2018 Mutual Evaluation report described Myanmar was a high risk country therefore government and banking industries should be enhance the technical compliance with FATF recommendations. The responsibilities of the anti- money laundering function should be carried out under a AML policy that set out its planned activities, such as the implementation and review of AML policies and procedures. The institutional profile is to convey an understanding of institution's present condition and its current money laundering risks, as well as to highlight key issues. The organization profile must be reflected the robust events, products and services and regulatory that affect management decisions. It may also liaise with relevant independent bodies, including regulators, standard setters and external experts. The responsibilities of the ML function should be carried out under a AML program that set out its planned activities, such as the implementation and review of AML/CFT policies and procedures. The AML risk

management function should be addressed in the documents: key player and their responsibilities in Bank Compliance Risk Management; Practices and Procedures Manual implemented by banks accord with CBM guide line Designation people to oversee the AML risk plan/program; giving effective training program. Developing awareness on AML (Anti-Money Laundering) and CDD (Customer Due Diligence) implementing internal monitoring system; enforcing international standards as well as in line with FATF Recommendations.

1.2 Objectives of the Study

The main objectives of the study are as follows:

1. To identify the Anti-money laundering Risk Management Practices of CHID Bank with the regulatory frame work and
2. To analyze the Anti-money laundering Risk Management Practices of CHID Bank.

1.3 Scope and Method of the Study

This study focuses on anti-money laundering risk management practices of CHID Bank. In this study used both primary and secondary data. Descriptive and qualitative methods are used in this study. (33) respondents from the Department of Board of Directors, Risk and Compliance, IT, Finance, branches and International banking are selected to get primary data. Secondary data is obtained from annual report of CHID Bank, Central Bank of Myanmar directives, AML Law and regulations, international guidelines for anti-money laundering, website and research papers from internet websites.

1.4 Organization of the study

This study organize the five chapters include; chapter 1 presents the introduction that provides the details of the rationale, objectives, scope and method, organization of the study. Chapter II covers the theoretical background of the study there is also including current AML status in banking, FATF methodology, specific instructions of CBM and regulatory framework. Chapter III discusses profile and anti- money laundering risk management practices of CHID Bank and general feature of compliance with AML practices of the bank and approaches identifying, measuring and reducing of AML risk, detail process of the anti-money laundering policy and procedures of CHID Bank with the regulatory framework. Chapter IV presents analyzing to Anti-Money laundering risk management practices of CHID Bank. Chapter V captures the conclusion that includes findings, suggestions, recommendations and needs for further study.

CHAPTER II

THEORETICAL BACKGROUND OF THE STUDY

The objectives of this chapter cover to review of literature and provide an overview of Anti-Money Laundering risk management in general and in banking industry. This chapter mainly high light theoretical background, general feature in line with AML risk management of the banks and approaches, identifying, measuring, and reporting practices to reducing of ML risk. There is also including FATF methodology.

2.1 Risk Management in Banking

The risk management process can be summarized with the following three steps: 1. Identifying and assessing the potential risk in the banking business, 2. Measuring and monitoring an action plan to deal with and manage these activities that incur potential losses, 3. Continuously reviewing and reporting the risk management practices after Institution have been put into action and operation. The overall purpose of the risk management process is to evaluate the potential losses for the banks in the future and to take prevention to detail with these potential problems when they occur. The management of risk in banking became necessary in 1997 when the Basel Committee on Banking Supervision (BCBS) published the core principles for effective banking supervision.

2.2 Risk Management Framework

Anti- Money Laundering and enforcement situation has prompted instructions to increasing their corporate governance and to more fully integrate financial crimes with their institutions' overall risk management framework. Most robust board governance is reflected in more frequent and in depth briefings on the structure, operational fitness, vision and mission of the Anti- Money Laundering program. Board and senior management teams throughout the industry are actively working to ensure the culture of AML program that is understood and assimilated across the institution. The risk management framework component with the following measures.(a) corporate Governance: Board of Directors and Senior Management, (b) The risk management function (c) Policies and Procedures; (d) Internal Control (e) The AML function (f) Risk monitoring and reporting and Training. CHID Bank adopt the AML risk management frame work including the risk identifications , measuring, monitoring, controlling and reporting systems

2.3 Concept of Money Laundering and Anti Money Laundering

Money laundering is the illegal process of concealing the origins of money obtained illegally by passing it through a complex transaction of banking transfers or cash transactions. The overall practices of money laundering process return the money to the launderer in an obscure and indirect way. Traditionally involves three steps: placement, layering, and integration. First, the illegitimate funds are furtively introduced into the legitimate financial system. Dirty money that is illegally gained, illegally transferred or illegally used, especially money achieved through drug trafficking, corruption, money laundering, or theft.

Anti-money laundering refers to protect the money laundering practices and a set of laws, regulations, and procedures intended to prevent criminals from disguising illegally obtained funds as legitimate income. Though anti-money-laundering (AML) laws cover a relatively limited range of transactions and criminal behaviors, their implications are far-reaching. Criminals use money laundering to conceal their crimes and the money derived from them. Anti-Money Laundering seeks to deter criminals by making it harder for them to hide the loot. Banks and financial institutions are required to monitor customers' transactions and report on anything suspicious.

2.4 The Financial Action Task Force- FATF

The objectives of the FATF are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system. The FATF's primary policies issued are the Forty Recommendations on money laundering from 1990 and the Nine Special Recommendations (SR) on Terrorism Financing (TF). The Recommendations are seen globally as the world standard in anti-money laundering as well many countries have made a commitment to put the Forty Recommendations in place. The Recommendations cover the criminal justice system and law enforcement, international co-operation, and the financial system and its regulation. The 2003 Forty Recommendations require states, among other things, to: Implement relevant international conventions, Criminalize money laundering and enable authorities to confiscate the proceeds of money laundering, Implement customer due diligence (e.g., identity verification), record keeping and suspicious transaction reporting requirements for financial institutions and designated non-financial businesses and professions. Establish a Financial Intelligence Unit (FIU) to receive and disseminate suspicious transaction reports, and cooperate internationally in investigating and prosecuting

money laundering. The effect of the FATF Blacklist has been significant, and arguably has proven more important in international efforts against money laundering than has the FATF Recommendations. While, under international law, the FATF Blacklist carried with it no formal sanction, in reality, a jurisdiction placed on the FATF Blacklist often found itself under intense financial pressure.

In last decade the Myanmar government revoked the License of three banks, the Asia Wealth Bank, May Flower Bank and Myanmar Universal Bank for violating banking laws. The Asia Wealth Bank and Myanmar May Flower Bank had earlier been accused by the US of money laundering and related with drug traffickers.

Asia Wealth Bank was a Myanmar bank that was found to be of primary money laundering concern by the US Secretary of Treasury. The bank license was subsequently revoked by the Government of Myanmar in the banking crisis in 2003. The US Secretary of Treasury designated Asia Wealth Bank as financial institutions of primary money laundering concern and the department report notes that the Asia Wealth bank have been related with drug trafficking gangs in Southeast Asia.

Myanmar May Flower Bank was a bank of Myanmar. Founded in 1994, it was formerly the third largest bank in the country with ten branches. It has been designated as source of money laundering concern by the United States Government and thus is subject to very strict regulations in its dealings with American banks. The bank's license was revoked by government authorities in March 2005 following a money laundering investigation.

In 2005 the Myanmar government had been revoked banking license and the taken over of the Myanmar Universal Bank. There was speculation in business circles that the arrest and the bank's closure could be related to allegations of money laundering, since the action came soon after the signing of an agreement between Myanmar and Thailand for the exchange of financial intelligence related to money laundering. The Central Bank of Myanmar (CBM) expects all banks to develop effective frameworks and practices to manage their money laundering/terrorist financing risks (ML/TF). The effective management of risks is a requirement of the Basel Core Principles (BCP) for Effective Banking Supervision and the Financial Action Task Force (FATF) 40 Recommendations.

Anti-Money Laundering Law include the offences relating to terrorism and financing of terrorism, trafficking in humans and migrant smuggling, illicit trafficking of narcotic drugs and psychotropic substances, relating to illicit arms trafficking, trafficking of stolen and other

illicit goods, corruption, fraud, counterfeit money, counterfeit goods, murder or causing grievous bodily harm, kidnapping, illegal restraint and taking hostage, robbery or theft, smuggling, extortion, forgery

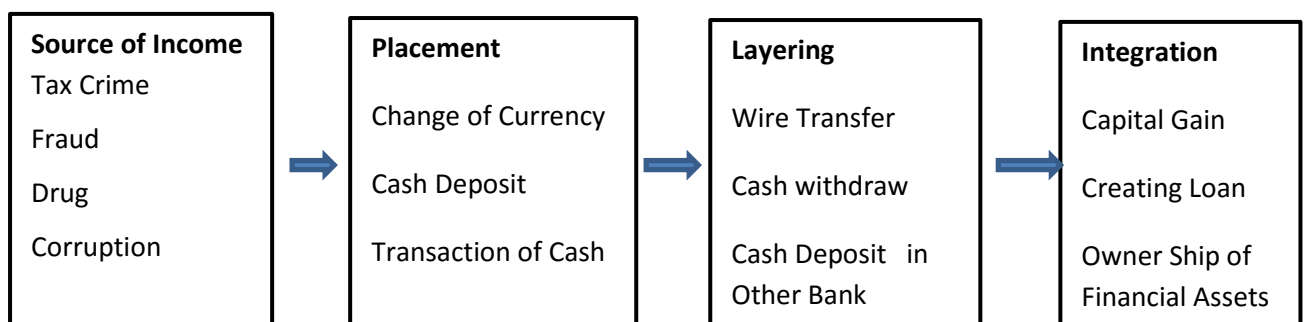
2.5 Recommendations of Financial Action Task Force to Protect the Money Laundering

The laundering process component in three basic stages which may comprise transactions by the money launderers that could alert a financial institution to criminal activity.

The Money Laundering Process are as follow.

Money laundering has been commonly accepted that the money laundering process comprises three main stages a. Placement, b. Layering, and c. Integration

Figure (2.1) Process of Money Laundering



Sources: FATF (2013 updated)

a. Placement

This is the first stage in the laundering cycle. The process of placing, through deposits or other means, illegal cash proceeds informal financial institutions. At this stage cash achieved from criminal activity is inject into the financial system. The launderer makes the funds more liquid since by depositing cash into a bank account can be transfer and handle easier. Such criminals need to place the cash into the financial system, usually through the use of bank accounts, in order to trade the laundering process. The monies are placed into the financial system or retail economy or are illegal trading out of the country

b. Layering

Layering is the criminal activity of separating the proceeds of from their origin through the use of various different ways to layer the funds. These include using various banks and accounts, having solo act as intermediaries and transacting through institution and

trusts, layers of complex transactions, such as converting cash into travelling checks, money orders, wire transfers, letters of credit, stocks, treasury bill, treasury bonds, or purchasing luxury assets, such as art or jewelry. One of the objectives of the layering stage is money laundering second step to confuse any criminal investigation and place as far as possible between the sources of the funds

c. Integration

It is the stage at which informal funds are reintroduced into the legitimate economy, appearing to have originated from a legitimate source. Integration is the final stage of the process, whereby criminally derived property that has been placed and layered is returned (integrated) to the legitimate economic and financial system and is assimilated with all other assets in the system. Integration of the washed money into the economy is accomplished by the launderer making it appear to have been legally income. Integration stage, it is exceedingly difficult to identify legal and illegal wealth .The basic steps are used relying on the available laundering mechanisms and needs of the criminal funds.

FATF 40 Recommendations can define four groups there are (a) related with all department, (b) legal sections,(c) Law enforcement and (d) Banks and Financial Institutions

CHAPTER III

Profile and Anti- Money Laundering Risk Management Practices of CHID Bank

This chapter presents overview on Anti Money Laundering Practices in CHID Bank which includes general feature of compliance with AML practices of the bank and approaches, identifying measuring, and reporting to reduce of AML risk, detail process of the anti-money laundering practices and procedures of CHID Bank with the regulatory framework

3.1 Anti-Money Laundering statuses in Myanmar Banking Sector and Anti-Money Laundering Risk Management Practices of CHID Bank

According to Asia Pacific Group Mutual Evaluation Report (2018) , the completion of an assessment and the publication of the mutual evaluation report (MER) is a starting point for the country to continue strengthening its measures to tackle money laundering and terrorist financing. The country subsequently reports back to the FATF on a regular basis on the progress it has made.

Asia Pacific Group Mutual Evaluation Report (2018) described the AML measures in place in Myanmar as the end of the on- site visit 1st December 2017. It analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of Myanmar's AML system. ME report described the effectiveness and compliance ratings are as follow:

Figure 2.2 Ratings of Asia Pacific Group Mutual Evaluation Report 2018

Report Ratings	Largely Compliance (LC)	Compliance (C)	Partially Compliance (PC)	Non Compliance (NC)
FATF Recommendations	2,4,5,6,15,16,19,21,30,31,40	3,9,11,17,18,20,27	1,8,10,12,13,22,23,26,29,32,33,34,35,36,37,38,39	7,14,24,25,28,
Total	11	7	17	5

Source: FATF

Compliance ratings: Compliant C, There are no shortcomings. Largely compliant LC, There are only minor shortcomings. Partially compliant PC, There are moderate shortcomings. Non-compliant NC, There are major shortcomings

The report described Myanmar was a high risk profile for ML/TF. Thus, government and banking industries are enhancing the technical compliance with FATF recommendations. This report refer the anti-money laundering and countering the financing of terrorism (AML/CFT) measures in place in Myanmar as at the date of the on-site visit (20 November to 1 December 2017). The report analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of Myanmar's AML/CFT system, and recommends how the system could be strong. Myanmar is exposed to a large number of very significant ML threats. Higher risk predicate offences include narcotic drugs production and illegal trafficking, environmental crimes including illegal resource extraction (jade, wildlife smuggling and illegal logging), human trafficking, corruption and bribery. There are complex constants and issues that increase Myanmar's risk profile, including remote areas of the country controlled by non-state authorities and characterized by very serious threats from transnational proceeds driven crime trends and related money laundering. CBM has defined significant progress towards risk-based supervision and has increased its capacity and the scope of anti-money laundering supervision of banks. The current enforcement approach by CBM on banking institutions is effective, due to repetitive anti-money laundering issues and structured enforcement framework

3.2 Anti- money Laundering Role of Government

Myanmar Government has expressed its high-level commitment to address AML/CFT issues. This was directly reflected through the FATF process and also in the preparation and conduct of the mutual evaluation. Money Laundering is major challenge today and is described as reputation and financial threatening in the banking industry. This study mainly focuses on the money laundering risk management and practices of CHID Bank.

Money- Laundering enforcement has most recently been enhanced with the state president office's anti money laundering order. This order is assisted by the recently passed Anti- Money Laundering Rules, establishment of a special police unit for financial crimes. In November 2019, CBM also published Anti-Money Laundering / Combating and Financing of terrorism guidelines for financial institutions, which implements some of the International

Financial Action Task Force's recommendations in accordance with the International Monetary Fund's Anti Money Laundering guide lines.

CHID Bank AML practices and policies as well as procedures for risk identification and measuring and reporting system. The identification or recognition of risk is the first step in an effective AML risk management process. Therefore expected to develop techniques and mechanism which will allow them to assess of each type of ML risk which it is faced and the likely duration of ML risk. The ML risk of legal or regulatory sanctions, material financial loss, or loss to reputation a bank may suffer as a result of its failure to bank with laws, regulations, rules, related regulator standards and code of conduct applicable to AML banking activities.

Anti-money laundering objectives for financial sector stability, sustainable development and reducing inflation. Successive Myanmar governments have straightforwardly deal with case of money laundering and financing of terrorism, which it and the international view as serious crimes. Myanmar government have handled 21 cases under the 2002 control of illicit income law and has confiscated K 2316638 billion in illicit income and possession in to the national treasury. Government had controlled 92 cases from 2014 to present.

The illegal drug trafficking and transnational crimes are attempts to launder illegal money and preventing them from entering financial system and countering them requires the cooperation of stake holders all governments, NGO, CSO and the citizens. Insufficient the illegal money, properties and benefit created from transactional crime and confiscating them into the national treasury is a top priority.

Myanmar has participated in international cooperation such as joining the Asia-Pacific Group on Money Laundering (APG) in 2006 and is endeavoring to implement 40 recommendations from the Financial Action Task Force (FATF). They have signed MoU with 15 nations to exchange news and information and for cooperation. APG member nations performed mutual evaluations in 2007-2008 and 2017-2018 and the second mutual evaluation report (MER) was published in 2018.

In the National Risk Assessment (NRA) report on ML/FT the threat of money laundering is evident. This is why they must uncover case of illegal drugs, bribery, corruption, illicit trading of wood and precious stones and tax evasion. Action plans would involve issuing and amending laws bylaws, regulations, directives, notifications and order setting

AML/CFT policies corporation with domestic and foreign organizations evaluating dangers of losses for each department, promoting international cooperation and making preparations where necessary. The Pyidaungsu Hluttaw enacts Anti money Laundering Law in 2014.

This Law have jurisdiction on any person who commits any offence punishable under this Law within the limits of the Union of Myanmar, or on board a vessel, an aircraft, and any motor vehicle registered under the existing law of Myanmar, and a Myanmar citizen or any person residing permanently in the Union of Myanmar who commits the said offence beyond the limits of the country. This law included reporting organizations shall promptly report to the Financial Intelligence Unit (FIU) if the amount of transaction of money or property is equal to or exceeds the designated threshold. Financial institutions shall report to the (FIU) any cash transaction in an amount which is equal to or exceeds the designated threshold by a single and several transaction that appear to be related.

3.3 CHID Bank Profile

Under the supervision of the ministry of construction, the Construction Housing and Infrastructure Development Bank (CHIDB) was formed as a Semi- Government bank upon receiving the company registration, May 2013 by joint participation of Government and Private. With the permission of the Directorate of Investment and Company Administration, the Ministry of National Planning and Economic Development, Union of Myanmar. CHID Bank was founded as Public Company Limited. The Central Bank of Myanmar issued the banking licensed in 2013 granting to operate as Development Banking business. Moreover, the following nine committees were established with members of BOD and shareholders in order to support the BOD.

(1) Executive Committee, (2) International Business Committee, (3).Infrastructure Development Committee,(4). Housing Development Committee, (5)Remuneration Committee, (6) Credit Committee, (7). Risk Management Committee, and (8). Assets and Liabilities Management Committee and Audit Committee.

The Authorized Capital of the Bank has been increased from MMK 100 billion to MMK 200 billion and therefore, the paid up capital at November,2019 was 112.91 billion contributed by 62 shareholders. Being a public Company Limited, documents are submit in time to the company registration office and the mandatory meetings are convened within the special period as stimulated by Myanmar Company Act. Bank's Internal Audit Department was monitored and supervised by Audit Committee, which was formed at the Annual General

Meeting, Quarterly auditing plan has been carrying out by Internal Audit Department for Head Office and every branches. Under the guidance of Ministry of Construction and supervision of the BOD, CHID Bank is committed in developing the Urban and Housing Sector by providing long term Housing loan and home ownership of the citizens. Moreover, by providing Infrastructure Loan so as to increase living standard of the people and the country, CHID wishes to be the leading bank in capital financing of infrastructure development program.

3.4 Anti-Money Laundering Risk Management Practices of CHID Bank

CHID Bank ensures that Anti-Money Laundering Law and regulations, instructions including Risk Management Guide Note from the CBM and FATF 40 recommendation. Bank appointed as compliance officers from head office and branch managers and usually monitoring and inspection of Threshold Transaction Report (TTR) for large sum amount transfer and Suspicious Transaction Report (STR) are submitting to Financial Intelligence Unit (FIU) in accordance with standard format.

There are implementing programs in accord with the Risk Management Guidance of Central Bank of Myanmar, Customer Due Diligence (CDD) Directive and FIU and National Risk Assessment on Anti- Money Laundering.

3. 4.1 Identification of Money Laundering Risk

The existence of AML frame work: The Basal AML index is an established AML risk-rating tool used by the private sector for compliance purpose, and in the public sector for the purpose of research and policy measurement.

Money Laundering Risk Management Line of Defense: The front line departments (branches) employee serve as 1st line of defense and are primarily responsible for managing AML risk inherent in daily activities, process and systems for which they are accountable. The Middle office ,Risk Department, Internal audit ML risk management function being the 2nd line of defense is responsible for assisting line managers and /departments in designing and implementing sufficient controls to manage ML risks of non-compliance. The AML is also responsible to closely coordinate with other risk management functions of the bank to monitor the sufficiency and efficacy of compliance risk controls.

(a) Anti- Money Laundering Law regarding AML Practices and Procedures

The AML Legislation refers to: The Anti-Money Laundering Law 2014. Guidelines on Anti-Money Laundering and Counter terrorism Financing issued by CBM .Institutional rules and regulations. The Forty Recommendations and 9 special guidelines – Financial Action Task Force on Money Laundering (FATF); Central Bank’s Anti- Money Laundering Guidelines: Foreign Exchange Regulation Act; Financial Institution Law, The Central Bank of Myanmar Law. Anti- Corruption in Myanmar law, 2013. Myanmar has enacted legislation specifically criminalizing neither terrorist financing nor designation it as one of the predicate offences to money laundering. Construction and Housing Development Bank is carrying out in accordance with the Instruction of Central Bank of Myanmar. And also, follow the Customer Due Diligence –CDD, reporting and records keeping in line with AML/CFT

(b) CHID Bank (AML Policy and Procedures)

The objectives of the AML Policy and Procedures are as follows;

To effectively take action upon criminals and to prevent from offences of anti-money laundering

To prevent administrative, economy and social sectors of the state from economy and social sectors of the state from interference of outside power

To combat AML in consonance with international conventions reasonably accepted by accepted by the state

To cooperate with neighboring countries, local and international organizations to combat AML offence

To carry out the National Risk Assessment, and also to lay down instruction and guide lines of AML by cooperation with other relevant Government organizations and Financial Institutions

3.4.2 Measuring in Anti-Money Laundering Practices

CHID Bank regulation on AML risk management which are including name the laws regarding Anti-Money Laundering procedures, general instructions, definitions and specific Instruction of the Central Bank of Myanmar. Anti -money Laundering Practices CHIDB is carrying out AML practices in accordance with instruction of the Central Bank of Myanmar as: Reporting excess amount of currency specified by CBM and Suspicious Transactions to Financial Intelligence Unit (FIU) and also sending copies to CBM Carrying out AML duties specified in law and regulation of AML and complying with 40 recommendations of Paris – based Financial Action Task Force (FATF) and regarding Know Your Customer, allowing a new customer to open an account with the recommendation of two old customers; carrying

out local and external remittances. Regarding freezing of the financial resources relating to corruption, drug trafficking, human trafficking and inspect them; and also reporting to CBM carrying out measures of prohibiting money laundering from opening accounts and complying with CBM directives. Forming compliance teams and assigning the Head of Department as compliance officers to effectively carryout the special duties of reporting excess currency amount and suspicious transactions and Sticking to rules and regulations of anti-money laundering.

CHID Bank does not maintain or open an account or business relationship of unknown identity or in fictitious names .Apply enhanced customer due diligence procedures to customers or transactions that have been identified as high risk and risk assessment kept up to date. Customer due diligence procedures to customers that have been identified as low risk through a documented risk assessment

(a) Customer Due Diligence Practices

CHID Bank adopted and apply the following risks mitigation measures based on the risk assessment in line with CBM Directive; Obtain information on the customer, beneficial owner and transaction. Develop a risk profile on customers and transactions established and documented based on the purpose of an account or relationship and anticipated business with the bank. The source of money and source of wealth of the customer, awareness of the customer and beneficial owner. Enhancing customer due diligence to high risk customers and update the information on all customers. Monitor the amount, transactions type and frequency of customer. and adopt the measures as may be described by the CBM, the Central Body or the FIU. Customer due diligence measures set out the :regarding natural persons, must verify the identity of their customers using reliable, independent source documents, data, or information and legal persons or legal arrangements, must obtain and verify the information required using reliable, independent source documents, data, or information .

Bank apply enhanced customer due diligence procedures to customers or transactions that have been identified as high risk. This risk assessment kept up to date. Customer due diligence procedures to customers that have been identified as low risk through a documented risk assessment.

(b) The enhanced customer due diligence

The enhanced customer due diligence to be action for higher risk customers should include: monitoring as far as reasonably possible, the background and purpose of all complex, unusual large transactions, and all unusual of transactions. Increasing the

monitoring of the business relationship regarding the transactions or performance to determine whether those transactions or activities appear unusual or suspicious and Obtaining the information on the customer (e.g. occupation, volume of assets,), and updating more regularly the identification data of customer and beneficial owner. Obtaining the information on the intended of the business relationship and the information on the source of funds and source of assets of the customer. Monitoring on the reasons for intended or performed transactions. Obtaining the approval of the board to commence or continue the business relationship.

Enhancing the monitoring of the business relationship, and selecting patterns of transactions that need further examination and creating a customer profile or monitoring and identification of unusual transactions for higher risk clients including PEPs. Customer due diligence measures on the first transaction through the customer account opening.

(c) Politically Exposed Persons and Related Companies

CHID Bank established appropriate risk-management systems to determine whether a customer or beneficial owner is a politically exposed person. Bank report information on relationships with politically exposed persons. Politically exposed persons are defined as:

Foreign Politically exposed person: any person who occupies or previously occupied a prominent public function in a foreign country, including a position as head of state or government, senior politician, senior government judicial or military official, or senior executive of a state owned corporation, important political party officials. The term includes family members or close associates of such persons.

Domestic politically exposed person: any person who occupies or previously occupied a prominent public function in Myanmar, including a position as head of state or government, senior government judicial or military official, or senior executive of a state owned corporation, important political party officials. The term includes family members or close associates of such persons.

International politically exposed person: any person who occupies or occupied high-level management position in an international organization, including directors, deputy directors, and members of the board or equivalent functions. The term includes family members or close associates of such persons.

(d) Maintenance of Customer Information

Bank gathered and maintained customer information throughout the course of the business relationship. Documents, data, or information and business correspondence collected under the customer due diligence process should be kept up to date and relevant by undertaking reviews of existing records at appropriate times as determined by the bank when: A significant transaction is to take place; there is a material change in the way the account is operated; and Information held on the customer is insufficient to enable the bank to understand the nature of the banking relationship or transactions being conducted .

(e) Procedures on Wire or Electronic Transfers

bank engaged in cross border wire or electronic transfers shall include the following information on the wire or electronic transfers and ensure that the information remains with the wire or electronic transfers and related messages throughout the payment chain: Accurate originator and recipient information full name of the originator; The originator account number where such an account is used to process the transaction, address, or customer identification, or date and place of birth, The name of the recipient and the recipient account number where such an account is used to process the transaction.

According to CDD directives, bank relation to wire or electronic transfers either ordering bank or beneficiary bank is report the following transactions to the FIU:

A cross-border wire or electronic transfer in excess of USD 10,000 or the amount as required and determined by the Central Body from time to time; A domestic wire or electronic transfer in excess of 100 million kyats or the amount as required and determined by the Central Body from time to time and A transfer where the originator's information is incomplete or unavailable.

(f) Anti-Money Laundering for Trade Financing

Money Laundering is a process to mask the benefits from drug trafficking or other criminal activities to make it seem that it is legitimate. Every staff has a duty to report on Suspicious Transaction when a transaction is found to be suspicious, the relevant staff shall report to the respective supervisor. The Supervisor should then in term report to the management for further direction. When a suspicious transaction is reported by the staff, an immediate investigation shall be conducted to evaluate whether such matter need to be reported to the Authority within 24 hour. A report log sheet should be established and all correspondences to be filed. Terrorism means the use of threat of action involving serious

violence and damage to property and life. Reporting of suspicious Transaction is mandatory A bank employee as a legal duty to make a suspicious transaction report if the employee knows or has a reasonable ground to respect that any or other property was used or intended to be used in connection with drug trafficking or criminal conduct. For Trade related transactions, checking for money laundering, irregular and any suspicious transaction of both bank's customers and non-accounted customer for unusual transaction pattern including terrorists list.

Warning manage will be displayed if any of the above information is captured in the special listing in the computer. Staff handling transaction to inform to supervisor for further action. Authorized staff in charge is required to ascertain if the warning manage is a false or true hit prior to approving the transaction The authorized staff in charge in required to review and handle the transaction in accordance with the bank's policy and procedures for Anti-Money Laundering reporting requirement by Central Bank and relevant authorities. The quality of the function of precaution depends largely on the type and quality of data and information. Construction and Housing Development Bank is monitoring up-to-date knowledge of these factors. Organized Crime group place proceeds of crime into the financial system through Cash with Legitimate business takings. Foreign Criminal groups launder foreign proceeds of Crime in the Country by investing in the domestic real estate sector.

(g) Conducting Training

Regarding AML responsible persons from Construction and Housing Development Bank attended the training in National Laundering and Terrorist Financing Risk Assessment held in NayPyiTaw and "Best Practices for KYC and AML Breakfast Briefing" held in Central Bank this year. Related employees from Construction and Housing Development Bank also attended such AML/CFT training conducting.

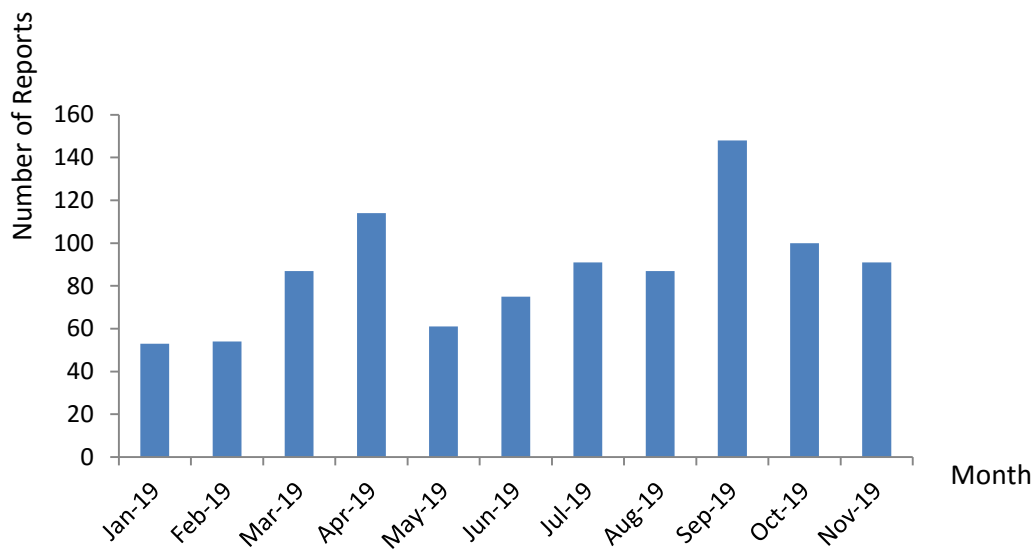
CHID bank sent employees to attend seminar, workshops, concluded the various organizations including Thomson Ruters, Sumitomoto Mitsui Banking Corporations, Subana Jurong, Luzinbark House of Training, Vietnam Bank, E-Sun Bank, Asia Development Bank, United Over sea Bank, Japan International Corporation Agency, ,GIZ, , Kookmin Bank and Association of Bank in Singapore and AML trainings conducted by Myanmar Banking Association and Banking Training Centre.

3.4.3 Anti- Money Laundering Reporting Practices

Bank provided information on Threshold Transaction Report (TTR)(over hundred million kyats)and suspicious transaction report(STR). Firstly bank provided information on the Threshold Transaction Report and Suspicious Transaction Report submitted to the FIU. Bank should also provide information on suspicious transaction report that are still under review by the bank compliance officer pending determining whether or not to submit the report to the FIU.

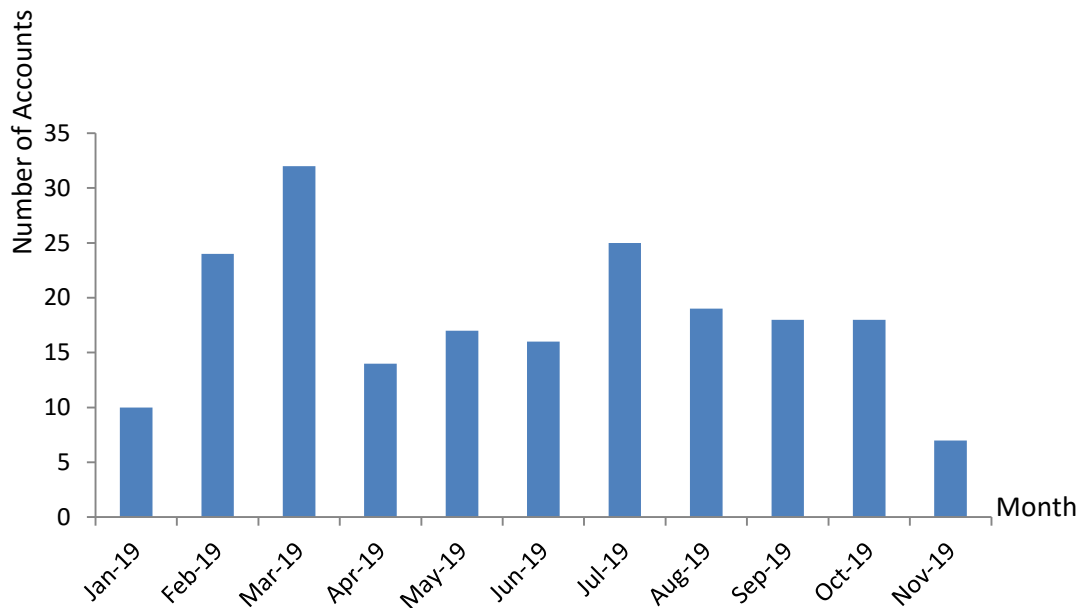
CHID Bank submitted to CBM and FIU for TTR and Prohibits Accounts for the month of January to November 2019 are as follow:

Figure 3.2 Number of Threshold Transaction Report



Source: CHID Bank (2019)

Figure 3.3 Number of Prohibit Account (Domestic and Foreign)



Source: CHID Bank (2019)

CHID Bank adopted the effective frameworks and practices to manage the money laundering/terrorist financing (ML/TF) risks. It is important that banks and financial institutions licensed to operate in Myanmar have adequate controls and procedures in place so that they know the customers with whom they are dealing. Adequate customer due diligence on new and existing customers is a key part of these controls. Without this, banks and financial institutions can become subject to reputational, operational, legal and concentration risks, which can result in significant financial cost. Regarding the Anti-money laundering law whoever commits money laundering shall, on conviction, be punished with imprisonment for a term which may extend to ten years or with fine or with both. If absent of company or an organization report, a fine which may extend to five hundred million kyats shall be imposed on such company or organization. The beneficial owner shall be punished with imprisonment for a term which may extend to seven years.

CHAPTER IV

ANALYSIS OF ANTI MONEY LAUNDERING PRACTICES OF CHID BANK

The main objective of this chapter is to discuss and analyze the findings arising out of the data collected. Discussion on findings will also be part of chapter. Simple data presentation with frequency and percentage tables and Microsoft excel quick analyze method using for some table.

4.1 Research Method

This study focuses on anti-money laundering risk management practices of CHID Bank. In this study used both primary and secondary data. Descriptive and qualitative methods are used in this study. (33) respondents from the Department of Board of Directors, Risk and Compliance, IT, Finance, branches and International banking are selected to get primary data. Secondary data is obtained from annual report of CHID Bank, Central Bank of Myanmar directives, AML Law and regulations, international guidelines for anti-money laundering, website and research papers from internet web sites. The total population of the study was 45 collection people from Risk and Compliance Department, Branches and International Banking Department. A sample size of 33 respondents was selected through simple random sampling method and sample represents 73% of population.

To analyze the about AML questionnaires forces , Five point likert scales in use the this study, if the responds chooses the first point scale ‘strongly agree’ the score is 5. If the responds chooses the second point scale , ‘agree’ score is 4. If the responds chooses the third point scale , ‘natural’ score is 3. If the responds chooses the fourth point scale , ‘disagree’ score is 2. . If the responds chooses the fifth point scale , ‘ strongly disagree’ score is 1.

If mean value is greater than 3.40, respondents has positive opinion on a given statement. If the mean value less than 2.61, respondents has negative opinion on a given statement. If the mean value is between from 2.61 to 3.40, the respondent cannot decide anything concerned with the statement given in questionnaires.

Rating Scale

1.0 - 1.80 ---- Strongly disagreed

1.81 – 2.60 ---- Disagreed

2.61 – 3.40 ---- Neutral

3.41 - 4.20 -----Agreed

4.21 - 5.00 ----- Strongly agreed (Best, 1997 as cited by Yonas, 2017)

Survey question is consisted of Part (A) and Part (B) with 19 Questionnaires. Part (A) is profile of respondents and there has 5 questions. Part (B) is AML Risk Management Practices including Identification of Money Laundering Risk Management which consisted with 6 questions. Measurement and Control of Money Laundering Risk 5,questions. and Reporting Practices (3) questions .

4.2 Profile of Respondents

Risk Management is second line of defense and senior management, middle management and front line office (Branches) are vital role of money laundering risk management. Profile of respondents show the table 4.1

Table 4.1 Profile of Respondent

Demographic Data	Particular	Frequency	Percentage
Position	Board of Director	2	6.06
	Senior Management	4	12.12
	Manager	10	30.30
	Assistant Manager	8	24.24
	Supervisor	6	18.19

	Assistant Supervisor	3	9.09
	Total	33	100
Departments	IT	2	6.06
	Legal and Compliance	8	24.24
	International Banking	3	9.09
	Front Line Office	15	45.45
	Finance	5	15.15
	Total	33	100
Education Level	Bachelor	21	63.64
	Master	12	36.36
	Total	33	100

Source: CHID Bank- 2019

The respondents are from BOD it's taking 6.06% and 12.12% of senior management are contributed for the survey.54.54% of respondents are from middle management level and the 27.28% from front line office those are main part of day to day operations of bank and 81.82% are from operation departments.63.64% of total respondents are bachelor level respondents and 36.36% are master level respondents.

4.3 Identification of Money Laundering Risk Management

Risk identification and monitoring practices are 1st step of Money Laundering Risk Management. Risk monitoring practices are comprehensive, timely and address all material compliance and legal risks which cover major risks and business areas, institution's risk monitoring practices that involve broad range activities. Adequate risk monitoring practices that involve a substantial number of business lines activities and monitoring.

AML risk monitoring programs and associated methodologies are in place and improvement to needed. Adequately significant legal regulatory, and AML risks are monitored or reported. Policies, procedures and training are comprehensive or generally and consistent with the institution's business goals and objectives. Training consistent with the institution's business goals and objectives. The policies provide a clear delineation of accountability and lines of authority across the institution's activities.

Policies are appropriate, comprehensive, understood, and regularly or generally reviewed and updated for current business activities.

Policies provide for effective identification, measurement monitoring, and control of the AML risks posed by all activities. The policies clearly delineate accountability and lines of authority across the institution's activities and between lines of business and associated control or support functions. The policies may provide a clear delineation of accountability and lines of authority across the institution's activities. Procedures provide operating personnel with clear and specific guidance in fulfilling their compliance responsibilities with adequate guidance. Bank adopt the management information system, internal policy and procedures and monitoring. Impact of respondents for survey questions indicate the following table

Table 4.2 Identification of Money Laundering Risk Management

Identification	Strongly agreed	Agreed	Neutral	Disagreed	Strongly disagreed	Total	Mean
Risk Management information System	6	18	5	3	1	33	3.75
Monitoring Practices	8	20	4	1		33	4.06
Policy & Procedure Limit	6	22	4	1		33	4
Approval of Practices	11	13	8	1		33	4.03
Coverage of Policy	6	16	10	1		33	3.81
Sufficiency of Procedure	7	16	7	3		33	3.81

Source: CHID Bank- 2019

Risk Management information System has mean value 3.75, AML Risk Monitoring Practices has mean value 4.6, agree, Policy & Procedure Limit has mean value 4, Approval of Practices has mean value 4.03, Applicability depth and Coverage of Policy has mean value 3.81, Sufficiency of Procedure has mean value 3.81. Rating scale average mean score 3.91, its greater than 3.40 agree indicated. All of above the mention mean value is greater than 3.40,

respondents has positive opinion on identification of Money Laundering Risk Management. Rating scale average mean score 3.91, its greater than 3.40 agree indicated. All of above the mention mean value is greater than 3.40, respondents has positive opinion on identification of Money Laundering Risk Management.

4.4 Risk Measurements and Control for Money Laundering

Second step of risk measurements and control for money laundering, to mitigate the risk which comprise the internal control system, independent audit and training coverage for employee. The system of internal controls is strong for the type and level of ML risk and adequately covers all major ML risk and business areas. Internal controls that require more than normal supervisory attention and adequately address effective internal control system

Survey questions indicate the table 4.3

Table 4.3 Risk Measurements and Control for Money Laundering

Measurements and Control	Strongly agreed	Agreed	Neutral	Disagreed	Strongly disagreed	Total	Mean
Internal Control	5	15	11	2		33	3.70
Independent Audit	5	18	9	1		33	3.8
Operational Control	6	20	6	1		33	3.9
Training Coverage	6	15	9	3		33	3.72
Applicable of Training	8	14	8	3		33	3.81

Source : CHID Bank - 2019

Bank Internal Control system has mean value 3.70, External Independent Audit has mean value 3.8, Operational Control practices and review and testing has mean value 3.9, Training Coverage and Applicable of Training mean vale is 3.72 and 3.81 respect , Risk measurements and control to mitigate the AML Risk average mean score 3.79 indicate the satisfaction. Rating scale average mean score 3.79, its greater than 3.40 agree indicated. All of above the mention mean value is greater than 3.40, respondents have positive opinion on Risk Measurement and Control for Money Laundering.

4.5 Anti- Money Laundering Reporting Practices to reduce the risk

Reports provided to board and senior management are accurate and timely, broadly and contain all the information to identify adverse trends and distributed to appropriate decision makers. Reports identify significant AML risks facing the institution. According to Anti-Money Laundering Law, reporting organization means banks and financial institutions in this expression, an organization assigned to report. in relation to wire electronic transfers , bank report the following transactions to the FIU:

- (a) A cross-border wire or electronic transfer in excess of USD 10,000 or the amount as required and determined by the Central Body from time to time;
- (b) A domestic wire or electronic transfer in excess of 100 million kyats or the amount as required and determined by the Central Body from time to time.
- (c) A transfer where the originator’s information is incomplete or unavailable

Table 4.4 show the respondent’s comment on bank reporting practices

Table 4.4 Reporting Practices

Reporting	Strongly agreed	Agreed	Neutral	Disagreed	Strongly disagreed	Total	Mean
Reporting Sufficiency	9	12	9	3		33	3.81
Reporting Line	5	17	9	1	1	33	3.70
Follow up and Reporting	6	15	9	3		33	3.73

Source: CHID Bank- 2019

Reporting Practices Rating Scale are as Reporting Sufficiency and timeliness has mean value 3.81, Reporting Lines has mean value 3.70, follow up and reporting has mean value 3.73,Reporting practices have average main score 3.75 indicated agree. Rating scale average mean score 3.79, its greater than 3.40 agree indicated. All of the mention of Reporting Practices mean value is greater than 3.40, respondents have positive opinion on Reporting Practices.

4.6 Overall AML process Assessment

Overall AML process assessment divided the three step of AML risk management which are Risk Identification, Risk Measurement and control and Reporting Practices to risk reduction. Its measured by 19 questions included Risk Monitoring and Management Information Systems, Board and senior Management level reporting sufficiency and timeliness, Monitoring Practices, Internal Control, Reporting Lines, Independent, Follow up and Reporting Operational control practices and review and testing, Policies/

Procedures/Limits, Formality and approval practices, Applicability depth and coverage of policies, Sufficiency of procedures, Training Coverage and frequency, Formality and applicability of training. The summary of overall AML Assessment show table 4.5

Table 4.5 Summary of AML Risk Management assessment

Step	Anti-Money Laundering Risk Management	Average Mean Score
1	Identification of Money Laundering Risk Management	3.91
2	Risk Measurements and Control for Money Laundering	3.79
3	Anti- Money Laundering Reporting Practices to reduce the risk	3.75

All of Averages mean score represent the greater than 3.40 indicated for respondents have positive opinion on AML Risk Management Practices of institution. Its refer the management reasonably understands the keys aspects of AML process. Its commitments to compliance are reasonable and satisfactorily communicated. Authority and Accountability are, although some refinements may be needed. Management provides adequate resources and training given the complexity of products and operations. AML management process and information systems are adequate to avoid significant or frequent violations or noncompliance. The bank privacy policies adequately consider legal and litigation concerns.

CHAPTER V

CONCLUSION

This chapter describes conclusion of sources of anti-money laundering risk management practices components with risk identification, measuring and reporting system of CHID Bank.

5.1 Findings and Discussions

Anti-Money Laundering practices the responsibility of everyone in the organization including the BOD and as such banks are aligning their strategies and objectives to AML risk management and practices.

In addition, AML practices contribute in the bank has come to realize that there are risks inherent in day to day activities which when not managed will cause them to lose significantly (loss of customers, money and reputation). As a result, the Central Bank of Myanmar regulation for banks to be fully covered with the international rules and regulation and the banks are gradually embracing AML risk management practices under CBM's guidelines. In this competitive environment banks are becoming increasingly aware of their critical success factors and how these can help them gain competitive advantage in the Industry. There are a number of sources to competitive advantage for bank (i.e. staff, strength of network, position in domestic market, technology, product differentiation, image and reputation and internal guidelines and policy on money laundering risk.) Aligning these findings of the research, which assumed that Anti-Money Laundering has an impact on the Myanmar Banking Industry; with a satisfaction level of Anti-Money Laundering risk management framework in CHID Bank.. Based on the control environment, the results were interpreted as management integrity and the CHID Bank keep to AML risk management practices level .

Risk Identification of Money laundering includes the policy and procedures are approval taken by BOD and Senior Management. It is hard to say getting fully independent

for compliance functions and management intervention is still happening in every moment of AML department functions. Policy and procedure are issued.

Risk Measuring and Monitoring practice define the CBM has been done two times on-going supervisions annually but mostly CBM is coming only one time. Internal audit is trying to supervising to cover all of department functions once year. External audit is only for bank financial statement auditing. Training coverage even though new staffs are getting general banking training and AML/CFT training, CHID Bank is still trying. For those training giving is arranged under the training school and yearly update information of AML/CFT are able

AML reporting lines practices are up to line manager of each department and most of the reports are getting from line manager monthly. Suspicious Transaction Report and Threshold Transaction Report are daily reports Daily currency movements (interbank, foreign transfer, remittance, buying, selling) which are daily reporting to FIU.

5.2 Recommendations and Suggestions

This research was carried out current anti money laundering practices in CHID Bank and the subsequent research, there is a need to consider interviewing compliance officers and bank employees so that is able to get more actuate result. The banking industry is clearly evolving to a higher level of AML risk management practices. In order to get complete picture of the AML risk management of the bank, it is recommended that future study should focus on one bank and emphasizes to go depth to represent the reality of commercial banks AML risk management. An effective AML risk management policy and effectiveness of the system of internal control within the areas of bank business. Management must ensure strict adherence to this policy and ensure that any exceptions are appropriately reported and resolved.

BOD of Bank should be actively involved in operational risk and Anti-Money Laundering risk management. They should approve the overall business strategies and significant policies of their institutions, including those related to managing and taking risks and must ensure that lines of business are managed and staffed by personnel with knowledge, experience and expertise that are consistent with the nature and scope of the organization activities. Awareness must be created on the need to identify, evaluate, monitor, control a report AML risk issues in accordance with the strategies and polices of banks I ensuring the adequacy of capital against AML risk.

Bank should act diligently and expediently to meet the Central Bank of Myanmar's AML related rules and regulations and international guidelines too. Although risk management is the responsibility of all staff at all levels, there must be explicit allocation of risk management responsibility among senior managers to ensure management accountability for risk control. Bank must make risk visible, measurable and manageable and ensure a meaningful risk culture throughout all processes and activities. To prevent management fully understands or has chosen to ignore, key aspects of AML management process and The importance of AML process is not emphasized or communicated throughout the organization and they has not established or enforced and accountability for AML performance. Management should provide adequate resources or training. AML management, practices, process and information systems.

5.3 Needs for Further Research

The Anti-Money Laundering functions of Bank in Myanmar are subject to the rules and regulations, norms and directives, procedures and instructions laid out among financial institutions. The Anti-money laundering officer should keep him abreast of changes in the rules and regulations issued form time to time. In case, if any of the deviations of any officials of the bank would attract criminal proceedings and law enforcing authorities are proceeding against any individual, upon any criminal offences, the bank would not interfere in any of the attempts, to save such offender but, to cooperate with the law enforcing authorities such as Anti- Corruption Commission. The internal audit and the external audit are very important for monitoring the risk and the explanation of the internal audit, the specific risks arising from outsourcing to the external auditor. Anti-Money Laundering must be effectively monitored continuously with new information documented. Bank requires a framework that is specific and made to suit its own operating environment. Understanding risks will lead to better decision making and reflect in bank performance. This document must be update from time to time as banks become more experienced in AML practices issues. Banks must ensure there is a continuous monitoring process to integrity of money laundering controls and systems.

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Survey Questionnaires

Money Laundering Risk Management in CHID Bank

Part (A) Demographic Data

Profile of Respondents

1. **Institution Name** -----

2. **Department or Branch Name** -----

3. **Position Title**
 - BOD
 - Senior Management
 - Manager
 - Assistant Manager
 - Supervisor
 - Assistant Supervisor

4. **Department**
 - IT
 - Compliance
 - International Banking
 - Other

5. **Education Background**

Bachelor Degree

 - Master
 - Doctorate

Part (B) AML Risk Management

Give your installation most relevant experience, please rate the following question on a scale of 1 to 5.

1. Strongly disagree 2. Dis Agree. 3. Natural 4. Agree 5. Strongly agree

(1) Identification of Money Laundering Risk Management

Q.1. Risk Monitoring and Management Information Systems.

1. Risk monitoring practices are comprehensive, in time and address all material regulation and legal risks.
2. Risk monitoring practices are cover major risks and business areas although they may be lacking in some modest degree.
3. Weaknesses exist in the institution's risk monitoring practices or Management that may involve broad range activities.
4. Insufficient risk monitoring practices or management reports exit that included a substantial number of business lines or activities.
5. A critical absence of monitoring.

Q.2. ML Risk Monitoring Practices.

1. Strong legal, regulatory, and ML risk monitoring programs and associated methodologies are in place.
2. Satisfactory legal, regulatory, and ML risk monitoring programs in place, but modest improvement is needed.
3. Weaknesses may contribute to ineffective legal, regulatory, and ML risk identification or monitoring.
4. A number of significant legal regulatory, and or ML risks are insufficient monitored or reported.
5. Legal, regulatory and/or ML risk monitoring processes are insufficient

Q.3. AML Policies / Procedures / Limits

1. AML policies, procedures and training are comprehensive and consistent with the organization's business goals and objectives.
2. AML policies, procedures, and training are generally consistent with the institution's business goals and objectives.

3. AML policies, procedures, and training are may be somewhat inconsistent with the organization's business goals and objectives.

Q.4. Traditional and approval practices

1. Policies are appropriate, comprehensive, understood, and regularly reviewed and updated.
2. Policies are generally appropriate, comprehensive, understood and regularly reviewed and updated.
3. Some policies may not be appropriate, comprehensive, understood and regularly reviewed and updated.
4. Policies may be outdated and inappropriate for current business activities.
5. Policies are nonexistent or wholly insufficient

Q.5 Applicability depth and coverage of policies.

1. AML policies provide for effective identification, measurement monitoring, and control of the ML risks posed by all activities. The policies clearly delineate accountability and lines of authority across the institution's activities and between lines of business and associated control or support functions.
2. AML policies cover all significant activities and are adequate. The policies generally provide a clear delineation of accountability and lines of authority across the institution's activities.
3. AML policies cover most activities although may be lack in specificity. The policies may not provide a clear delineation of accountability and lines of authority across the organization's activities.
4. AML policies are largely ineffective. The policies do not provide a clear delineation of accountability and lines of authority across the organization's activities.
5. Policies are unsustain or overall inadequate.

Q.6. AML Risk Sufficiency of procedures

1. Procedures provides operating personnel with clear and specific guidance in fulfilling their AML responsibilities.
2. Procedures provide operating personnel with adequate guidance in fulfilling their AML responsibilities.
3. Procedures may not provide operating personnel with adquete guidance to fulfill AML responsibilities (Deficiencies may involve a broad range of activities or may be material to a major business activities)

4. Procedures may not provide operating personnel with sufficient guidance to fulfill AML responsibilities (Deficiencies may involve a broad range of activities or may be material to a major business activities)
5. Procedures are insufficient or wholly inadequate.

(2) Measurement and Control of Money Laundering Risk

Q.1 Internal Control

1. The system of internal controls is strong for the type and level of ML risk.
2. The system of internal controls adequately covers all major ML risk and business areas.
3. Weaknesses exist in the system of internal controls that require more than normal supervisory attention.
4. The institution has a weak internal control system that does not adequately address ML risk.
5. There is a critical absence of an effective internal control system.

Q.2 Independent audit and regulations

1. Audit or other regulator control and review the AML practices provide for clear independence and objectivity.
2. In general, audit or other regulatory body control review practices provide for the independence and objectivity.
3. Audit or other regulatory body control review practices insufficient some independence and objectivity.
4. Audit or other regulatory body control review practices lack independence.
5. Audit or other regulatory body control review practices completely lack independence, and the audit or control practices are so ineffective that examiners cannot rely on them.

Q.3. Operation control practices, monitoring and testing

1. Identified mistakes or issues are immediately corrected, and processes are adjusted to prevent next errors. Fully documented risk assessments and institution has strong AML review and testing program.

2. Identified errors or issues are corrected in time, but preventive measures are not always taken. Risk assessments are generally identified and organization has monitoring and testing program.
3. If mistakes are identified, they may or may not be corrected, and no preventive measures are taken. Risk assessments may not identify and insufficient monitoring program.
4. Mistakes are not consistently identified or corrected and no preventive measures are taken. Risk assessments and lacking in review program
5. Mistakes are rarely identified or corrected, and no preventive measures are taken . Risk assessments do not exist.

Q.4 Training Coverage and frequency

1. Stakeholders have been formally trained on and are fully knowledgeable about the related laws, regulations, policies and procedures.
2. Stakeholder appropriate managers and staff have been formally trained on and generally knowledgeable about the key relevant laws, regulations, policies and procedures.
3. Some of appropriate employee have been formally trained on the key relevant laws, regulations, policies and procedures and weaknesses are noted in the employee knowledge.
4. Few managers and staff have been trained on related laws, regulations, policies and procedures.
5. AML training does not exist in any meaningful way. Critical thinking gaps exist among management and staff.

Q.5 Traditional and applicability of training

1. AML training programs are fully cover and innovative and results are fully data and sources
2. Training programs are generally effective, and results are adequate documented.
3. Training programs are lacking in some fashion, and results are minimally documented.
4. AML Training programs are not adequate or not documented.
5. AML training does not exist in any meaningful way.

(3) Anti- Money Laundering Reporting Practices

Q.1 Board and senior Management level reporting adequate and timeliness

1. AML Reports provided to board and senior management are accurate and manner and contain all the document to identify adverse trends.
2. AML Reports provided to board and senior management are accurate and timely manner and broadly identify adverse trends.
3. AML Reports provided to board and senior management cannot be distributed to appropriate decision makers.
4. AML Reports provided to the board and senior management are not distributed to suitable decision makers and do not identify significant ML risks facing the organization.
5. AML Reports provided to the board and senior management are overall deficient due to inappropriate information.

Q.2 AML Reporting Lines

1. AML Reporting lines provide clear independence of control functions from the business lines.
2. In general, the control functions are independent from the business lines and there is suitable separation of duties and responsibilities clear lines of authority .
3. Unclear of conflicting lines of authority and responsibility exist.
4. Organization has completely confliction lines and there is ties of independence between control areas and business activities.
5. Organization has completely conflicting lines of authority and responsibility, with no distinction between control areas and business activities.

Q.3 Follow up and AML Reporting

1. When exceptions or material weaknesses are noted, they are promptly inspected and corrected.
2. In most cases, exceptions and identified material weaknesses are not given appropriate and timely manner.
3. Some cases, exceptions and identified material weaknesses are not given appropriate and timely attention.
4. In most cases, exceptions and identified material weaknesses are not given appropriate and timely attention.
5. No administration review exists to ensure the correction of exception or identified weaknesses.