



TECHNICAL ASSISTANCE REPORT

SURINAME

Strengthening the AML/CFT Legal Framework
and Developing a Risk-based Approach to
AML/CFT Supervision—Central Bank of Suriname

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Acronyms and Abbreviations

AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
BSD	Bank Supervision Department
C	Compliant
CBvS	Central Bank of Suriname
CD	Capacity Development
CUSD	Credit Union Supervision Department
EDD	Enhanced Due Diligence
EO	Exchange Office
FATF	Financial Action Task Force
FID	Financial Integrity Department
GCBS	Gaming Control Board Suriname
ISD	Insurance Supervision Department
LC	Largely Compliant
ML/TF	Money Laundering/Terrorism Financing
MTO	Money Transfer Office
NA	National Assembly
NRA	National Risk Assessment
PC	Partially Compliant
NC	Non-Compliant
SRA	Sectoral Risk Assessment
SRD	Suriname dollars
VA	Virtual Asset
VASP	Virtual Asset Service Providers
WMTF	Wet ter Voorkoming en bestrijding van Money Laundering en Terrorisme Financiering (AML/CFT Act)

Preface

At the request of the authorities an in-person mission visited Paramaribo, Suriname from January 29 to February 7, 2024, to continue work to assist the authorities to strengthen Suriname’s anti-money laundering and combating the financing of terrorism (AML/CFT) legal framework and the Central Bank of Suriname (CBvS) and the Gaming Control Board Suriname (GCBS) to develop a risk-based approach to AML/CFT supervision. The mission was undertaken in the context of a capacity development (CD) project that assisted the authorities to enact a new AML/CFT law in November 2022 and amend AML/CFT secondary legislation and related components of sectoral legislation. During the mission, staff discussed the authorities’ continued initiatives to strengthen the legal framework and the existing supervisory arrangements in place at the CBvS.

Staff’s main work during the mission focused on reviewing further amendments made to the AML/CFT law (Wet ter Voorkoming en bestrijding van Money Laundering en Terrorisme Financiering (WMTF)), and a directive developed by the CBvS (“Richtlijn AML/CFT”). Staff also proposed amendments to a newly developed AML/CFT supervision manual (“Handboek AML/CFT Toezicht”) and the set-up of an institutional money laundering/terrorism financing (ML/TF) risk matrix as key components of the CBvS’ AML/CFT supervisory framework.

Staff’s findings with respect to the work undertaken to assist the GCBS to strengthen its AML/CFT supervisory arrangements, are contained in a separate report.

Staff expresses its sincere appreciation of the excellent logistic arrangements made by the CBvS and the GCBS, the open discussions, and the hospitality provided throughout the mission.

Executive Summary

The mission supported the authorities' continued efforts to strengthen Suriname's AML/CFT legal framework. Staff provided comments on proposed amendments to the WMTF, highlighting deficiencies that need to be addressed. The main deficiencies are related to the reporting of suspicious transactions, enhanced due diligence (EDD) requirements and limitations to the scope of the AML/CFT supervision mandate of the supervisory authorities. Staff also reviewed and provided comments to strengthen a draft directive ("Richtlijn AML/CFT") developed by the CBvS, and also reviewed additional sectoral legislation for insurance, and money transfer and exchange offices, ensuring consistency with the WMTF.

The CBvS's offsite AML/CFT supervisory practices are based primarily on the reviews of submissions made by licensees which constitute updates on progress made in addressing deficiencies identified during the most recent onsite inspection. The Financial Integrity Department (FID) of CBvS has recently developed a questionnaire that will be sent to licensees that will provide information on the implemented AML/CFT internal control measures. The questionnaire is not designed to obtain information on institutions' inherent risk exposures and as such does not assist FID to obtain an understanding of each institution's net ML/TF risk.

Staff reviewed and provided feedback on a draft AML/CFT supervision manual being developed by FID. The manual provides an overview of supervisory objectives and strategies and a description of (the risk-based application of) supervisory tools and methodologies.

FID will continue to work on the draft directive and the manual and submit for staff's further review. It will also continue to work on the risk matrix and questionnaire and will submit these tools to the mission team for further review and input.

Action Item	Sent to IMF	Returned to CBvS	Resubmitted to IMF
Review draft Money Transfer Offices Supervision Act	January 29, 2024	April 18, 2024	
Review draft Insurance Supervision Act	January 30, 2024	March 23, 2024	
Review draft AML/CFT Directive	March 9, 2024	March 13, 2024	March 27, 2024
Review AML/CFT Supervision Manual	March 27, 2024	April 18, 2024	
Review risk matrix framework	March 27, 2024		
Review offsite questionnaire	March 27, 2024		

Background

1. Work undertaken to date under the CD project assisted Suriname to draft and enact a new and consolidated AML/CFT law which came into force in November 2022. Suriname's previous AML/CFT legal framework was based on two separate laws. In a continuation of its support of Suriname's broader efforts to strengthen its AML/CFT legal and regulatory framework, staff provided comments on (i) a draft decree on preventive measures, (ii) the Banking and Credit System Supervision Act, (iii) the Insurance Supervision Act, (iv) the Capital Markets Act, (v) the Electronic Payments System Act, (vi) the Money Transfer Offices Supervision Act, and (vii) draft directives for savings institutions.

2. While staff will continue to assist the authorities to strengthen the legal framework, the main focus of work under the project has shifted to assisting the CBvS to develop robust risk-based supervisory arrangements. In its 2022 mutual evaluation report, Suriname was rated as having a low level of effectiveness with respect to supervision of financial institutions and designated non-financial business and professions. Staff is commencing the process of supporting CBvS' efforts to strengthen supervisory arrangements for the higher risk-rated entities it supervises. Work in this regard will focus on the supervision of banks, money transfer offices (MTO), and exchange offices (EO).

Overview

A. LEGISLATIVE DEVELOPMENTS

3. While the enactment of the AML/CFT law in 2022 significantly strengthened Suriname’s AML/CFT legal framework, the new law was not fully compliant with the Financial Action Task Force (FATF) Recommendations. The authorities have therefore focused their recent legislative drafting initiatives on addressing the deficiencies in the law. The amendments proposed are primarily related to preventive measures and role and powers of supervisors under FATF Recommendations 10, 19, 20, 26, 27, and 28.

4. The Money Transaction Offices Supervision Act is being amended and is currently with Ministry of Justice and Police for review. The CBvS’ legal department is to send the amendments to the Ministry of Finance in February 2024. A final draft of the Capital Markets Act is expected to be available by March 2024. The Insurance Supervision Act is not yet on the agenda of the National Assembly (NA) but is currently with the Ministry of Finance. A final draft of the Payment Systems Supervision Act is scheduled to be ready by June 2024. The CBvS developed an AML/CFT directive (“Richtlijn AML/CFT”) which was intended to come into force on February 1, 2024, but this issue date was postponed following the discussions on this draft and the input provided by the team during the onsite mission. CBvS has launched the Process Description—Suitability Assessment and Integrity Assessment (Fitness and Propriety) for the financial sector under its supervision, which will add to, and should be read in conjunction with the current directives on:

- Corporate Governance
- Suitability of directors, members of the supervisory board and shareholders
- Internal audit department
- Integrity policy
- System of internal controls

The scope of the Directive will be extended to include the MTO, EO, and capital market sectors.

B. SECTORS COVERED BY THE PROJECT

5. The CBvS is responsible for the AML/CFT supervision of banks, capital market institutions, MTOs, EOs, credit unions, insurance entities, and pension funds. This CD project will focus on assisting the CBvS to develop a robust risk-based approach for the AML/CFT supervision of the higher-risk institutions it supervises namely, banks, MTOs, and EOs (or “cambios”). There are currently 11 banks, 17 EOs, and 6 AM MTOs licensed to operate in Suriname.

C. SUPERVISORY ARRANGEMENTS

6. Several departments that comprise the Supervision Directorate are responsible for the AML/CFT supervision in their respective sectors. These include the Bank, MTO, and Bank Supervision Department (BSD), the Financial Integrity Department (FID), the Credit Union Supervision Department (CUSD), the Insurance Supervision Department (ISD) and the Pension Funds Supervision Department. FID is responsible for the development of AML/CFT policies and procedures, while the supervision departments are responsible for undertaking the offsite and onsite supervisory activities. While the BSD has undertaken limited AML/CFT supervisory activities, it has undertaken more work in this regard than the other departments. The CUSD is at an early stage of the implementing AML/CFT supervision, while the ISD has not started work in this regard.

D. RISK ASSESSMENTS

7. Suriname completed its first National Risk Assessment (NRA) in 2020. The consulting firm Kroll is currently assisting the authorities to undertake the country's second NRA, scheduled to be finalized in June/July 2024. The assessment of risk associated with virtual assets (VAs) and virtual asset service providers (VASPs) is included in the work being undertaken by Kroll. A sectoral risk assessment (SRA) which focuses on the banking sector is being undertaken with support from the Organization of American States and will soon be finalized (February 2024). CBvS is using the World Bank's risk assessment tool to undertake risk assessments of the banking, EO, MTO, insurance, and pension fund sectors. These assessments are expected to be combined in one report and finalized by March 2024. The credit unions and capital market sectors are considered too small and insignificant from a ML/TF perspective, to be subjected to an SRA at this stage.

E. AML/CFT SUPERVISORY ACTIVITY

8. CBvS is at an early stage of developing its AML/CFT supervisory activities. To date, the offsite reporting done by banks is based on the submission of updates, highlighting the measures they took to respond to the findings of the most recent onsite inspection. The previous onsite inspection therefore drives the prioritization and selection of banks for engagements. Apart from these updates, banks do not file periodic AML/CFT-related reports to the CBvS. FID has recently developed an AML/CFT questionnaire to be completed by banks and MTOs. The questionnaire focuses exclusively on institutions' internal control environment and does not assess institutions' inherent risk exposures. Banks are rated on a four-point scale of Compliant (C), Largely Compliant, Partially Compliant (PC) and Non-Compliant (NC). At the time of the mission's visit, three banks were rated PC and eight banks were rated NC. All MTOs and EOs are rated NC. The AML/CFT onsite inspections on MTOs started in 2023.

9. Offsite reporting done by EOs is not specifically focused on AML/CFT issues. EOs submit reports on their transactions three times daily. The three daily reports go to the Financial Markets Unit and the final report received each day goes to the BSD. The reports contain details of all transactions and all threshold reporting to the FIU. Transaction information covered by these reports includes:

- Name and ID of customer
- Type of customer (natural or legal person)
- Customer's place of residence
- Type of business activity
- Amount of transaction (if above USD / EUR 5.000 or equivalent in SRD)
- Reason for purchase or sale of currency
- Source of funds (e.g., salary, loan, gift)

10. While BSD receives daily reports from EOs, the data submitted is analyzed at the end of the month. The outcomes of the analysis are used as a basis for discussions when the BSD meets with the EOs. MTOs submit weekly reports to the BSD.

Work of the Mission

A. LEGISLATIVE DRAFTING

11. Staff was provided with a recent version of draft amendments to the AML/CFT Act (WMTF) for review. Shortcomings were identified with respect to the reporting of unusual transactions, EDD measures, and the scoping of AML/CFT supervision. Staff provided comments on the proposed amendments to bring them into compliance with the FATF Recommendations.

12. The CBvS developed a draft directive (“Richtlijn AML/CFT”) regulating different elements of the AML/CFT regime. The legal basis for the directive is the AML/CFT Act, sectoral legislation, and the Central Bank Act. Subjects covered include the systematic analysis of integrity risks, adequate governance structure, various aspects of customer due diligence measures (including simplified due diligence and EDD), wire transfers, transaction monitoring, the compliance function, and targeted financial sanctions. The directive was discussed with the team and input was provided. Furthermore, the latest draft versions of the Insurance Supervision Act and the Money Transfers Offices Supervision Act were shared for review by the team.

B. DEVELOPING A RISK-BASED APPROACH TO SUPERVISION

13. Staff reviewed and provided feedback on a draft supervision manual (“Handboek AML/CFT Toezicht”), that was developed by FID. Staff provided recommendations about the structure and content of the document. This draft document now provides for (i) an overview of CBvS’ strategic objectives for its AML/CFT supervision, (ii) available supervisory instruments and tools, and (iii) a description of (a) the guiding principles of the CBvS’ risk-based supervision, (b) the supervisory cycle, (c) the use of a risk matrix and resulting institutional risk profile, (d) tools for data collection for institutional risk assessment purposes, (e) the process of setting up annual supervision plans commensurate with the outcomes of the risk matrix analysis, and (f) the application of the different supervisory tools.

14. Staff assisted the FID to develop a framework and components for a risk matrix that will include an assessment of institutions’ inherent risk exposures and the quality of their internal control arrangements. Staff also made proposals for modifying the AML/CFT questionnaire, ensuring that the questionnaire effectively facilitates the collection of all data required for the risk matrix.

Next steps

15. The CBvS will commence the process of setting up the matrix in an Excel format along the lines discussed during the mission. Staff will further assist with the development and inclusion of a rating and scoring methodology, to produce overall ML/TF risk scores. Furthermore, the CBvS will finalize the AML/CFT Questionnaire with the mission team providing additional support as needed.

16. A final version of the directive and the Manual will be shared by the CBvS for review by the mission team.¹ Priority will be given to finalizing the directive. The team will provide additional comments on the draft Insurance Supervision Act and the Money Transfer Offices Supervision Act, to ensure consistency with the amended AML/CFT Act (WMTF). A table setting out progress made with these items appears at the start of this report.

¹ Subsequent to the mission, the CBvS submitted an updated copy of the directive for staff's review. Staff undertook the review and provided comments.