

**CENTRAL BANK OF SOLOMON ISLANDS**  
**Financial Market Supervision Department**

**Prudential Guideline No. 19**

On AML requirements for Risk Assessment of New Products, New Business  
Practices and Technologies

**Applicability**

1. The Prudential Guideline is applicable to Financial Institutions licensed and deemed licensed by the Central Bank under the Financial Institutions Act 1998 (as amended), the National Provident Fund Act [Cap 109], the Money Laundering and Proceeds of Crime Act 2010 (as amended) and the Insurance Act [Cap 82].

**Background**

2. The modern day financial institutions are vulnerable to money laundering (ML), terrorist financing (TF) and weapons of mass destruction proliferation financing (PF) risks.
3. Financial institutions must be vigilant to money laundering activities and are required to monitor their business relations and transactions with natural persons, legal entities and arrangements for risk assessment of new products, new business practices and technologies that do not have adequate systems in place to prevent or deter ML, TF and PF activities.

**Objectives**

4. The objective of this Guideline is to provide minimum requirements related to the development of new products and new business practices, including new delivery mechanisms and technologies for new or pre-existing products.

**Definitions**

5. As used in this Prudential Guideline the following terms, unless otherwise clearly indicated by the context, have the meanings specified below.
6. **“Financial Intelligent Unit”** means the Financial Intelligent Unit of Solomon Islands.
7. **“Money Laundering”** means the processing of criminal proceeds to disguise their illegal origin. This process enables the criminal to enjoy the profits without jeopardizing their source. Some of the examples of criminal proceeds are illegal arms sales, smuggling, and the activities of organized crime, including for example drug trafficking and prostitution rings, embezzlement, insider trading, and bribery and computer fraud schemes<sup>1</sup>

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<sup>1</sup> Definition according to FATF

8. **“Terrorist Financing”** means the financing of terrorist acts, and of terrorists and terrorist organizations.<sup>2</sup>
9. **“Proliferating Financing”** means or refers to the act of providing fund or financial services which are used, in whole or in part, for the manufacturing, acquisition, possession development, export, transshipment, brokering, transport, transfer, stockpiling or use of nuclear chemical or biological weapons and their means of delivering and related materials ( including technologies and dual-used goods for non-legitimate purposes), in contravention of international laws or where applicable, international obligation.<sup>3</sup>

#### **Risk Assessment of New Products, Business Practices, Delivery Mechanisms and Technologies.**

10. Financial institutions must identify and assess the Money Laundering, Terrorist Financing and proliferating financing risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms, and the use of new or developing technologies for both new and pre-existing products.
11. Financial institutions must:
  - (a) undertake the risk assessments prior to the launch or use of such products, practices and technologies;
  - (b) have appropriate and effective systems in place to prevent or mitigate risks prior to the launch or use of such products, practices and technologies; and
  - (c) take appropriate measures to effectively manage and mitigate the risks.

#### **Internal Controls and Systems**

12. Financial institutions must adopt and implement effective internal controls and systems to detect, deter and prevent Money Laundering, Terrorist Financing and Proliferating Financing taking into account the risk of Money Laundering, Terrorist Financing and Proliferating Financing associated with the products and services it provides, including new products, new business practices and technology, and new delivery mechanisms.
13. For the purposes of section 15 of the MLPOC Act 2002, financial institution’s compliance and audit function must include the requirements of this Guideline.
14. For the purposes of section 13 of the Financial Institution Act 1998 (as amended), the products and services offered by the financial institutions include new products, new business practices and technology and new delivery mechanisms.

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<sup>2</sup> Definition according to FATF

<sup>3</sup> Definition according to FATF



### Oversight and Implementation

15. The FIU and/or the relevant supervisory authority, in the course of its supervision, will assess the compliance of financial institutions with the requirements of this Guideline.

### Enforcement and Corrective Measures

16. The CBSI will monitor FIs for sound risk assessment of new products, new business practices and technologies, through a combination of on-site examination and off-site supervision.
17. A FI, which fails to comply with the requirements contained in this Prudential Guideline or to submit certain reports to the CBSI, which are materially inaccurate, may be considered in breach of violation of this guideline and therefore, may result in sanctions as provided under section 16 of the Financial Institution Act 1998 and section 12(h) of the Money Laundering and Proceeds of Crime Act 2010 (as amended).
18. The CBSI will pursue any or all corrective measures as provided in section 16 of the Financial Institutions Act 1998 (as amended) to enforce the provisions of this Prudential Guideline including:
  - a. Issuance of an order to cease and desist from the unsound and unsafe practices; and
  - b. Action to replace or strengthen the management of the FI.

### Effective Date

19. The effective date of this Prudential Guideline is June 27, 2019.

Issued this **27th** day of **June** 2019.



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**Governor, Denton Rarawa**  
Central Bank of Solomon Islands