



GOVERNMENT OF THE REPUBLIC OF TRINIDAD AND TOBAGO

**FINANCIAL INTELLIGENCE UNIT  
OF TRINIDAD AND TOBAGO**  
MINISTRY OF FINANCE



**FIUTT REFERENCE: ADV/006/2023**

**ADVISORY TO FINANCIAL INSTITUTIONS:  
'KNOW YOUR EMPLOYEE' (KYE)**

The Financial Intelligence Unit of Trinidad and Tobago ("the FIUTT") is publishing this Advisory in accordance with *Section 17(1)(b) of the Financial Intelligence Unit of Trinidad and Tobago Act, Chap. 72:01, and Regulation 26(1)(d)(ii) of the Financial Intelligence Unit of Trinidad and Tobago Regulations.*

**PURPOSE OF THIS ADVISORY**

**This Advisory is intended to:**

Apprise Financial Institutions (FIs) with information on the apparent vulnerabilities regarding the 'suspected' compromise of employees and its potential impact on the FIs, its customers and the national AML/CFT mechanisms. The FIUTT hopes that this Advisory will assist FIs in identifying within their own organisation, the specific vulnerability illustrated and provide guidance on best practice measures aimed at mitigating such risks.

**GENERAL INFORMATION**

The FIUTT has noted increased Suspicious Transaction/Activity Reports wherein the employees of some Financial Institutions 'appear to be compromised'. This is manifested in the following alleged/inferred actions:

- Employees of FIs, facilitating transactions which should be **deemed suspicious**;
- Auto Dealerships were **complicit in the acquisition** of the fraudulent loans (vehicles, property, etc.). A high percentage of these loans were processed as vehicle loans;
- Fraudulent loans were being processed and disbursed, with the **use of fake documents**, inclusive of Job Letters, Payslips, Driver's Permits, National IDs, Certified Copies of Vehicle Registration;

- **Defrauds or attempts to defraud the FI;** using knowledge gained through employment. An apparent degree of collusion between junior and senior employees of FIs, which facilitated internal fraud.

This advisory addresses the need to mitigate the risks associated with potentially compromised employees who wittingly, and/or, unwittingly facilitate money laundering, or are themselves engaged in criminal activity. The need for FIs to employ best practice measures as it relates to ‘Know Your Employee’ (KYE) initiatives is necessary.

**IDENTIFICATION OF BEST PRACTICE MEASURES**

The following diagram illustrates the recommended process of due diligence as it relates to KYE best practices.



## BENEFITS OF IMPLEMENTING KYE BEST PRACTICES



## RECOMMENDATIONS FOR CONSIDERATION BY FIs

FIs are advised that the occurrence of employee compromise appears to be on the increase and the impact is both severe and alarming. The FIUTT proposes that FIs protect themselves, their employees and the integrity of the financial sector through the implementation of KYE best practice measures.

Please keep in mind that the following material is not exhaustive and in some cases, may already be implemented. *These are provided as both **reinforcement** of existing policies/procedures and **recommendations** to policies/procedures.*

### 1. Policies and procedures

- **The KYE Route Guide** outlined above, and/or other guidance from legitimate sources (such as regulators and internationally recognised bodies), may be employed using a risk-based approach;
- **KYE procedures**, including risk assessments, developed by the FI be formally documented so as to cement the implementation of such procedures;
- **Policies and procedures** should be adequately communicated by announcements to staff, emails, and/or inclusion in the employee handbook;
- **To reduce fraud** and ultimately safeguard your organisation, all policies and procedures relating must be updated to reflect best practices and in accordance with your organisation's

objective. To emphasize its applicability and functioning in the situation, it is advised that these rules and procedures undergo **periodic assessments by senior management**. These periodic assessments will ensure that procedures are upheld, procedures remain current/up-to-date, and also reduce the likelihood of illicit activity occurring within FIs that control and manage customer funds.

## 2. Internal Controls:

Multiple layers of approval will make it far more difficult for embezzlers to steal from their employer or carry out nefarious acts against the institution.

- Appropriate internal controls include the **segregation of duties**. This means each person becomes accountable to others; and ensure decision making is in the right hands. If the unit/department does not have enough staff on hand to segregate duties, senior management should play a more active role in the daily processes. Also, consideration should be given to segregation of duties by setting rights and permissions to execute various electronic tasks.
- The **conduct of security vetting and integrity testing** for persons selected for employment in sensitive departments;
- **Personnel should be trained, educated and informed** about internal controls and policies as well as the consequences of fraud on an ongoing basis;
- **Reconciliation and verification of transactions** as this helps to identify and correct discrepancies, errors or irregularities that may occur due to human error or fraud;
- It should also be noted that internal controls will change over time as risk and processes change.

## 3. Reporting:

- **Create a confidential environment** for reporting of discrepancies and irregularities, so that the employees would be comfortable reporting to management;
- **Establish a process map** for reporting occurrences related to theft, fraud or irregularities.

Financial Institutions are reminded that any transaction/activity suspected to be fraudulent or related to money laundering should be reported:

- to the Fraud Squad of the Trinidad and Tobago Police Service (TTPS) at Telephone numbers: 1(868) 625-2310 or 1(868) 623-2644 or; Fraud Squad South office at 1(868) 652-8594; or by Email: [fraud@ttps.gov.tt](mailto:fraud@ttps.gov.tt) ; and
- the immediate submission of STRs/SARs, to the FIUTT.

**Dated: November 1, 2023**

**Financial Intelligence Unit of Trinidad and Tobago**