



**GREEN  
CLIMATE  
FUND**

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# Anti-Money Laundering and Countering the Financing of Terrorism Policy

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## **Summary**

This document presents the proposal of the Head of the Independent Integrity Unit for the “Anti-Money Laundering and Countering the Financing of Terrorism Policy” as a standalone policy for consideration and approval by the Board.

## I. Introduction

1. In decision B.12/31, paragraph (i), the Board requested the Risk Management Committee, with the support of the Secretariat, to further develop the Fund's Policies on prohibited practices for consideration by the Board at its fourteenth meeting, and in decision B.12/31, paragraph (j), the Board requested the Risk Management Committee, with support of the Secretariat, to develop processes and tools to implement the Fund's interim policy on prohibited practices, taking into account staffing and resources.

2. The Board, at its fourteenth meeting in decision B.14/01, paragraph (e), noted that the Head of the Integrity Unit is to develop the full set of policies relating to prohibited practices, anti-money laundering and countering the financing of terrorism and present these to the Board for its consideration as early as feasible in 2017 as a matter of urgency.

3. This document presents the proposal by the Head of the Independent Integrity Unit for the "Anti-Money Laundering and Countering the Financing of Terrorism Policy" which was developed with the support of the Secretariat and in consultation with the Ethics and Audit Committee as a standalone policy for consideration and approval by the Board.

## II. Anti-Money Laundering and Countering the Financing of Terrorism Policy

4. The proposed policy, as contained in Annex II, aims to formally establish and strengthen a due diligence process to prevent and combat money laundering and financing of terrorism.

5. Article 2 of the International Convention for the Suppression of the Financing of Terrorism is attached herewith as Annex III to this document, for the purpose of the definition of "Financing of Terrorism or Terrorist Financing".

## III. Recommended Action by the Board

6. It is recommended that the Board:

- (a) Takes note of the information presented in document GCF/B.18/17 titled "Anti-Money Laundering and Countering the Financing of Terrorism Policy"; and
- (b) Approves the draft decision presented in Annex I to this document.

## Annex I: Draft decision of the Board

The Board, having considered document GCF/B.18/17 titled “Anti-Money Laundering and Countering the Financing of Terrorism Policy”:

- (a) Adopts the “Anti-Money Laundering and Countering the Financing of Terrorism Policy” contained in annex II to this document;
- (b) Requests the Head of the Independent Integrity Unit, under the supervision of the EAC, to develop the standards for the implementation of the policy on Anti-Money Laundering and Countering the Financing of Terrorism for the consideration by the Board by its twentieth meeting; and
- (c) Authorizes the Ethics and Audit Committee to address issues that may arise in the implementation of this policy.

## **Annex II: Anti-Money Laundering and Countering the Financing of Terrorism Policy**

### **I. Introduction**

1. The objective of the Green Climate Fund (GCF) is to contribute to the achievement of the ultimate objective of the United Nations Framework Convention on Climate Change (UNFCCC). In the context of sustainable development, the GCF will promote the paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change, taking into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change.
2. The GCF is committed to the highest ethical standards regarding Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) consistent with the Financial Action Task Force (FATF) recommendations in its “International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation”. This AML/CFT Policy (the Policy) aims to safeguard the GCF against Money Laundering (ML) and the Financing of Terrorism (FT or TF). The Policy outlines the principles and minimum standards of internal AML/CFT controls which should be adhered to by the GCF to mitigate reputational, regulatory, legal and financial loss risks.
3. This Policy is further to the Board Decisions in GCF/B.12/31, paragraph (i) and GCF/B.14/01, paragraph (e). It is part of a broader set of policies aimed at ensuring that GCF funds are used in line with its objective, and it lays out a set of basic principles for guidance. To operationalize this Policy, a detailed ‘AML/CFT Standard’ will be developed which will define the implementation procedures.

### **II. Scope and applicability**

4. The staff of the GCF, its governing bodies and every other person working for the GCF (i.e. Covered Individuals) are required to adhere to this Policy to protect the GCF, and its reputation, from being misused for ML and/or TF by ensuring that they discharge their responsibilities in a manner that enables the full implementation of this Policy.
5. The GCF shall apply this Policy to its relationship with its Counterparties. Accredited entities shall, taking into account the nature and type of the entity, apply their own “Know-Your-Customer” and AML/CFT standards over their Counterparties, e.g., executing entities, implementing entities, or any other entity or person involved in the project implementation in accordance with their own policies and procedures.
6. The GCF shall take steps to ensure that Accredited Entities, and all other entities that participate in the implementation of GCF activities, have policies that are consistent with the GCF’s AML/CFT Policy.

### **III. Principles**

7. In the context of its overriding objective to provide support to developing countries for the achievement of the goals of the UNFCCC, and with due regard to its fiduciary responsibilities, GCF shall ensure that its funds are not used to finance any illegal acts related to Money Laundering or Terrorist Financing.

8. The Policy shall be consistent with the relevant United Nations (UN) Conventions and Recommendations of the FATF.
9. GCF shall take steps to encourage its counterparties to adopt policies and procedures that are consistent with the principles set out in this Policy, with the purpose of safeguarding GCF resources from being used for Money Laundering or the Financing of Terrorism.
10. GCF Counterparties shall be responsible for identifying and mitigating the risks of Money Laundering and Terrorist Financing in deploying and managing GCF resources.

#### IV. Purpose and objectives

11. The purpose of the Policy is to provide principles and guidance regarding AML/CFT requirements and risks and to meet the following objectives:
  - (a) Prevent the abuse of the GCF's resources for ML and/or FT;
  - (b) Meet applicable legal requirements and international standards in jurisdictions where the GCF and its Counterparties operate;
  - (c) Mitigate any reputational risk;
  - (d) Support the establishing and/or strengthening of capacities in countries to meet the GCF's fiduciary standards regarding AML/CFT
  - (e) Guard against establishing any relations or undertaking any transaction that may relate to or may facilitate ML and/or FT or any other illicit activity;
  - (f) Exercise due diligence when dealing with Counterparties, persons appointed to act on behalf of Counterparties and connected parties of the Counterparties; and
  - (g) Continuously review and update its AML/CFT Policy and its corresponding AML/CFT Standard as threats and international standards evolve to prevent and detect ML and/or FT.

#### V. Definitions

12. For the purposes of this Policy the following terms shall have the meaning set out below:
  - (a) **Beneficial Owner** means the natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement.
  - (b) **Board** means the Board of the GCF.
  - (c) **Counterparty** is any party that contributes to, executes, implements, bids for, or in any way participates in, GCF-related Activities, including receiving a grant, loan or other form of financing or support from the Fund. Counterparties include a contributor, accredited entity, direct access entity, executing entity, delivery partner, fiscal agent, financial intermediary, vendor and (for the purpose of this policy) any entity within the Secretariat that directly disburses GCF resources including for the Readiness and Preparatory Support Programme.
  - (d) **Counterparty Due Diligence (CDD)** is a process to identify and verify the true identity of the Counterparty. This would enable the Fund to assess and evaluate the extent of ML/TF risk associated with the proposed Counterparty.

- (e) **Covered Individuals** means individuals working at any level or grade within the GCF, including (but not limited to) the Executive Director, management and staff of the GCF, and other individuals contracted by the GCF.
- (f) **Financing of Terrorism or Terrorist Financing (TF)** is defined as the commission of any offence as set out in Article 2 of the International Convention for the Suppression of the Financing of Terrorism.
- (g) **Money Laundering (ML)** refers to:
  - (i) The conversion or transfer of property, knowing that such property is derived from crime, for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in the commission of the crime to evade the legal consequences of his or her actions;
  - (ii) The concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of property, knowing such property is derived from crime, or;
  - (iii) The acquisition, possession or use of property, knowing at the time of receipt that such property was derived from a criminal offence.
- (h) **Policy on Prohibited Practices** refers to the GCF's Interim Policy on Prohibited Practices as adopted in B.12/32.
- (i) **Risk Based Approach (RBA)** to AML/CFT is the process of identifying, assessing and understanding ML/TF risks to which the GCF is exposed and to take measures commensurate to those risks to mitigate them effectively.
- (j) **Tip-off** means disclosing the fact to the Counterparty that a suspicious transaction or related information is filed with management or the authorities.

## VI. Key provisions

13. The GCF shall adopt and implement a continuous risk-based approach (RBA) to identify, assess and understand its ML and TF risks. It shall also ensure measures to mitigate ML and/or TF are commensurate with the risks identified, enabling decisions on how to allocate its resources in the most effective way.
14. Under this approach, it will adhere to the following to manage AML/CFT risk:
- (a) **Due diligence**
    - (i) The GCF shall apply the Counterparty Due Diligence (CDD) measures, as determined on a risk-based basis, considering the type of counterparty, counterparty relationship, financial instrument and country of operation.
    - (ii) The GCF shall identify and verify the identity of its Counterparties (including their beneficial owners) with which the GCF enters a counterparty relationship.
  - (b) **Counterparty relationships**
    - (i) The GCF shall take reasonable measures to duly assess the purpose, economic rationale and overall AML/CFT and related integrity aspects of the Counterparty and its Beneficial Owners to avoid being involved in relationships structured for the purposes of ML and TF.
    - (ii) The GCF will not engage with, and will terminate the existing Counterparty relationship if any, with:
      - 1. Counterparties who do not cooperate with its CDD efforts;

2. Counterparties engaged in activities prohibited under the GCF's Policy on Prohibited Practices<sup>1</sup>; or
  3. Counterparties who are currently under any financial sanctions imposed by United Nations.
- (c) **Monitoring:** It shall be the responsibility of the Independent Integrity Unit to monitor the implementation of the policy.
- (d) **Reporting:** Any suspicious information or red flag that comes to the knowledge of a Covered Individual indicating ML/TF must be immediately reported by such Covered Individual to the Independent Integrity Unit without informing the Counterparty or other third parties ("Tipping Off") that a suspicious activity is being reported or investigated.
- (e) **Record keeping:** The GCF shall keep for at least 5 (five) years all records obtained through CDD measures and documentation regarding counterparty relations and executed transactions, and correspondence with the Counterparty.
- (f) **Confidentiality:** The GCF will ensure the information on Counterparties and transactions obtained while fulfilling AML/CFT requirements is kept confidential.
- (g) **Implementation:** The GCF will develop further documentation and guidance (AML/CFT Standard or Procedures) to implement and better enable Covered Individuals to follow this Policy.
- (h) **Review:** The GCF will review and examine its AML/CFT Policy and maintain an effective implementation of the AML/CFT Policy for the GCF's activities reflecting international best practices, consistent with evolving FATF Recommendations and changing requirements.

## VII. Key responsibilities

15. **Board:** The Board is responsible for ensuring governance and oversight of the GCF's risk management framework and controls regarding ML and FT.
16. **Internal Audit:** The Internal Audit unit shall, in accordance with its own mandate, provide such support as may be required by the Independent Integrity Unit to monitor adherence to the AML/CFT Policy.
17. **Secretariat of the GCF:** The IIU and the Secretariat will cooperate to ensure effective implementation of this policy, with responsibilities allocated in accordance with their respective mandates.
18. **Staff of the GCF and associated persons:** Staff members, consultants and other associated persons shall be responsible for:
- (a) Complying with the GCF's AML/CFT Policy, standard and controls;
  - (b) Familiarizing themselves with and acting in accordance with relevant GCF processes and procedures to manage AML/CFT compliance; and
  - (c) Reporting to the Independent Integrity Unit without undue delay any suspicions (or actual occurrences) or red flags of ML/TF activities.

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<sup>1</sup> Sections 4 and 5 of the GCF Interim Policy on Prohibited Practices, GCF/B.12/32

## **VIII. Amendment to the Policy**

19. The Board shall ensure the implementation of the AML/CFT Policy and any amendments thereto.

## **IX. Review**

20. This Policy shall be reviewed at such intervals as required, to reflect international best practices, consistent with evolving FATF recommendations or as otherwise required by the Board.



## Annex III: International Convention for the Suppression of the Financing of Terrorism

### Article 2

1. Any person commits an offence within the meaning of this Convention if that person by any means, directly or indirectly, unlawfully and wilfully, provides or collects funds with the intention that they should be used or in the knowledge that they are to be used, in full or in part, in order to carry out:

(a) An act which constitutes an offence within the scope of and as defined in one of the treaties listed in the annex; or

(b) Any other act intended to cause death or serious bodily injury to a civilian, or to any other person not taking an active part in the hostilities in a situation of armed conflict, when the purpose of such act, by its nature or context, is to intimidate a population, or to compel a government or an international organization to do or to abstain from doing any act.

2. (a) On depositing its instrument of ratification, acceptance, approval or accession, a State Party which is not a party to a treaty listed in the annex may declare that, in the application of this Convention to the State Party, the treaty shall be deemed not to be included in the annex referred to in paragraph 1, subparagraph (a). The declaration shall cease to have effect as soon as the treaty enters into force for the State Party, which shall notify the depositary of this fact;

(b) When a State Party ceases to be a party to a treaty listed in the annex, it may make a declaration as provided for in this article, with respect to that treaty.

3. For an act to constitute an offence set forth in paragraph 1, it shall not be necessary that the funds were actually used to carry out an offence referred to in paragraph 1, subparagraphs (a) or (b).

4. Any person also commits an offence if that person attempts to commit an offence as set forth in paragraph 1 of this article.

5. Any person also commits an offence if that person:

(a) Participates as an accomplice in an offence as set forth in paragraph 1 or 4 of this article;

(b) Organizes or directs others to commit an offence as set forth in paragraph 1 or 4 of this article;

(c) Contributes to the commission of one or more offences as set forth in paragraphs 1 or 4 of this article by a group of persons acting with a common purpose. Such contribution shall be intentional and shall either:

(i) Be made with the aim of furthering the criminal activity or criminal purpose of the group, where such activity or purpose involves the commission of an offence as set forth in paragraph 1 of this article; or

(ii) Be made in the knowledge of the intention of the group to commit an offence as set forth in paragraph 1 of this article.