

DIRECTIVE 12 B
RELATING TO AUDITING

Purpose of the audit

- 1 The purpose of the audit is to verify that the financial intermediary has fulfilled its obligations under the applicable Rules and Directives of ARIF and has consistently complied with ARIF membership conditions. It must also carry out any specific verifications requested by ARIF.

Sample

- 2 The audit must include the in-depth examination, by the auditing firm, of a sufficient sample of business relationships subjected or likely to be subjected. In principle, the sample shall cover at least 10% of all business relationships subjected, including all the business relationships and transactions that have given rise to a clarification or a report to the MLRO as well as a number of business relationships deemed not subjected and left to the auditing firm's discretion. ¹
- 3 In MLA matters, the auditing firm may content himself with a smaller sample when it appears sufficient to him to formulate an assessment and when at least one of the following conditions is met, which the auditing firm must accurately state in his audit report:
 - the risks of money laundering are minor, due to the type of activity or the internal organization of the financial intermediary;
 - the operations subjected are of a large number, similar in nature and form, and in general involve amounts of less than CHF 15,000.--.

However, all the business relationships and transactions that have given rise to a clarification or a report to the MLRO must be the subject of the audit. ¹

Audit documents ²

- 4 The audit shall result in the auditing firm delivering to ARIF, within the time limits fixed by the latter, the following documents:
 - a. The audit report, conforming to the model established by ARIF, duly completed and signed by the lead auditor, including in particular the following information:
 - the period covered by the report;
 - the number and percentage of business relationships subject to the MLA which have been audited in line with ARIF's requirements;

- the attestation that:
 - the lead auditor possesses the required technical knowledge and work experience;
 - the auditing firm and the lead auditor are independent of the management and the administration or the shareholders of the financial intermediary audited;
 - the auditing firm and the lead auditor undertake to cooperate with ARIF and forward to it all useful information about the execution and result of his audit;
 - the auditing firm and the lead auditor have carried out their audit in accordance with Swiss auditing standards;
- specific details are provided of any failures to comply with the requirements of the MLA and ARIF's Articles of Association, Rules and Directives found by the auditing firm and the lead auditor, and concerning in particular:
 - the guarantee of faultless activity on the part of the member and the persons participating in its activities that are subject to the MLA;
 - the organisation and internal controls;
 - the risk-based approach and taking increased risks into account;
 - the training and information;
 - the due diligence performed when entering into and monitoring business relationships;
 - the verification of the identity of all contracting parties;
 - the identification of the beneficial owners and controlling owners;
 - the renewal of verifications and identifications, if necessary;
 - the establishing and retaining of documents required in MLA matters;
 - the keeping of the MLA Register;
 - the fulfilment of the obligations to clarify, to report, to freeze the assets and to maintain secrecy;
 - The notification of the changes that have occurred in the firm's bodies and staff;
 - the fulfilment of the other statutory and regulatory obligations, in particular financial obligations, towards ARIF;
 - the compliance with the legal standards of the financial markets to which the financial intermediary is subject, as applicable.

Audit periodicity

- 5 The audit shall be carried out for the first time at the end of the audit period during which the financial intermediary has become a member of ARIF, provided there are at least six months to run until the end of such period, otherwise the first audit takes place at the end of the following period.²
- 6 In MLA matters, the first audit shall take into account the full period of any unaudited activity subject to the MLA which preceded admission. It is reminded that in the event the

financial intermediary's activity subject to the MLA was started illegally, it must imperatively cease before his membership application can be examined.

- 7 The audit shall subsequently be carried out at the end of each audit period, which runs from January 1st of each year to December 31st of the same year, and take into account the entire activity exercised since the preceding audit.

However, after the third consecutive annual audit of a member's MLA-related activities, ARIF may, but shall not be obligated to, authorize the member in future to submit an audit report by an ARIF-certified auditing firm at the end of one audit period out of two or three. The multi-annual report must cover all of the preceding audit periods since the previous report.

The member shall nonetheless be responsible for completing and returning to ARIF, within the prescribed time limit, the duly-completed annual extract of its particulars listed in the ARIF database.²

Authorization for a multi-annual audit report can only be granted at the written request of a member and shall enter into effect only after the audit period following that in which the request for a multi-annual audit was accepted by ARIF.

In order for the requests to be examined before the end of an audit period, they must be addressed to the ARIF Secretariat at the latest three months before the end of this period.

The authorization for the transition to a multi-annual audit shall be subject to the following minimal conditions:

- that both MLA audits preceding the request as well as the investigations or visits effected by ARIF at the member during the last two audit periods did not reveal any substantial, systematic or repeated delays or failures;
- that the money laundering risks in connection with the member's activity are considered by ARIF as not involving a degree of increased or higher risk, namely in view of the kind of activity, the clients' structure, the transactions' extent and volume and with regard to the member's concrete organisation in the prevention of money laundering.

ARIF shall decide freely, in accordance with its internal concept of risk-based supervision, which frequency of multi-annual audit will be granted.¹

ARIF may, at its complete discretion, subject the authorization to additional conditions specific to the member's situation.

The restoring of a future annual audit frequency may be imposed by ARIF at any time if the conditions for the authorization of a multi-annual frequency are not met any longer, and in the cases where ARIF, at its complete discretion and without indicating any grounds, considers it necessary.

The audit of a non-subject member is always annual. It comprises an indication of the activity actually carried out, the reasons justifying membership of ARIF, and a verification that the member has all the guarantees of faultless management.²

In house companies

- 8 In the case of financial intermediaries which are in-house companies controlled by the same persons as a financial intermediary that is a member of ARIF, and which participate in the business of the member subject to the MLA or provide its clientele with services related to financial intermediation, ARIF may authorize the audit report of the member to attest to compliance with the MLA by the in-house company provided that, cumulatively, its bodies are also bodies of the member, that it does not have any operational business establishment outside of the member's own business establishments, and that all of its business relationships are also business relationships of the financial intermediary on which it is dependent.

Members not subjected

- 9 Members who are affiliated to ARIF with a view to exercising an activity of financial intermediary and who have not carried out any activity subject to the MLA during a complete audit period or since their affiliation, shall provide, at the end of the audit period in question, an attestation from an auditing firm concerning their continued absence of activity subject to the MLA, their actual activity, the reasons justifying their membership of ARIF and their guarantee of faultless activity, in conformity with the models established by ARIF.²

Members benefiting from this exemption must immediately communicate to ARIF, in writing, any change in their activity subjecting them to the MLA.

- 10 Where a periodic audit report indicates that no activity subject to the MLA has taken place during the period audited, or no activity meeting the professional thresholds within the meaning of the MLA, the member must justify in writing the continuation of his membership:
 - either by demonstrating and documenting in a credible manner the prospect of commencing a subject activity on a professional basis during the current financial year ;
 - or by demonstrating and documenting in a credible manner the need to be affiliated to ARIF, in particular because of the provision of financial services.

Failing such justification, the member is deemed to have resigned at the end of the current financial year.³

¹ In accordance with Committee resolution of 02 December 2019 and FINMA ratification of 23 January 2020

² In accordance with Committee resolution of 08 November 2021 and FINMA ratification of 25 January 2022

³ In accordance with Committee resolution of 04 April 2022 and FINMA ratification of 15 June 2022