

15th Annual International Anti-Money Laundering Conference

March 15-17, 2010 | The Westin Diplomat | Hollywood, Florida

Leveraging AML Controls to Meet Rising Global Challenges

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Emerging Risks

- Money flows are migrating to new countries and entities
- Fraud attempts rising as a result of economic strain and patterns are changing
- Global attention to tax evasion targeting traditional tax havens
- Scrutiny of PEPs and anti-corruption measures result in new behaviors
- For Individuals – Highly mobile & complex profiles (nationality vs domicile vs residence/place of employment)
- For Entity Accounts - Complex ownership structures
- FIs offering new electronic products & services (e.g. Mobile Link)
- Undisclosed (unlicensed) remittance agents
- Accounts for Casinos & other High-Risk Entities – Proprietary vs Customers' Monies

Review the Basics

Are your basic AML controls up to the new task?

- Corporate Culture – Tone from the top
- Training – business and particularly among FIU analysts / Compliance staff
- Client on-boarding
- On-going monitoring
- Client termination
- MIS (AML metrics)

Review the Basics - Key Elements of a Good AML Program

- Statement of Objective
- AML Organization Structure - Identification of Roles & Responsibilities
- AML Regulatory Framework
- Outline of the AML/Compliance/Risk Governance Structure
- Risk assessment of Clients/Products/Geographies
- On-boarding Procedures - CIP + KYC
- On-going Monitoring + Periodic Review
- Investigation-Suspicious Activity Reporting
- Escalation
- Cooperation with Law Enforcement, other financial institutions
- Sanction Screening
- MIS
- Record Retention
- AML Training
- Review and Auditing/Testing of the AML Program

Leveraging Your AML Program

- Client On-boarding - Be more Critical
 - Source of Wealth
 - Source of Initial Funding
 - EDD
 - Purpose of account/Anticipated Activity - Possible Tax Evasion?
- Negative news? Any suggestion of criminal activity (e.g. fraud)?*
- On-going monitoring – Widen Scope of Inquiry
 - Suite of Fraud monitoring scenarios vs. Suite of AML scenarios
 - Client transaction or Fraudulent/Unauthorized?
 - Client Explanation – Fraud/Tax Evasion/Any other offence?
 - Red Flags – include additional ones for Fraud, Tax Evasion
 - Client termination – Ensure they are out & remain out
 - Document cause & track exits
 - Include in and Screen against your “Do not Do Business List”

Leveraging Your AML Program (cont'd)

- MIS - Analyze and Plot Trends
 - No. and reasons for rejecting prospects/existing client relationship
 - No of SARs filed
 - - Analyze the Type of SARs – AML/Fraud/TF/Others?
 - - plot trends – If increase, why?
- Escalation – Centralize all escalation including whistle-blowing for possible FCPA violations and Employee Fraud
 - Record Retention - Develop and maintain a central repository of
 - All Escalations/Whistle blowing
 - All SARs filed
 - Targets of Subpoenas, warrants, production order
 - Declined prospects/Exited clients (for cause)
- AML Training - Include
 - Fraud/Tax Evasion Typologies
 - Red Flags – Fraud/Tax Evasion
 - Any other emerging Global/Regional/Country Trend

Wire payment transparency- Truth or Fiction

- Should not omit, delete or alter information in payment messages
- Should not use other payment message for the purpose of avoiding detection
- Should cooperate fully with other financial institutions when information is requested
- What about the weak link in the chain? All that is needed is one bank or other sympathizer to act as an intermediary
- SR VII & MT 202COV – improved the process, but...

Utilize your (often expensive) AML monitoring systems

- We all have established (or are establishing) complex and comprehensive AML monitoring and filtering systems
- How can you best utilize them for other purpose, like Fraud detection and prevention?
- Be clear about your objectives?
 - What can be done real-time vs. post-event?
 - Name search and filtering vs. scenario and behavior analysis and pattern recognition?
 - Screening of transactions, accounts, customers or even customer groups?
 - In one jurisdiction, across jurisdiction or even across your entire organization?
- Many groups can benefit, but who owns the systems?
 - Who sets the priorities?
 - Who drives it?
- Soon other groups may show an interest, e.g. Sales, Marketing, etc.

Trends in the „other FI“ / „Non-Bank“ sector

- We notice a shift of regulatory focus towards non-Banks across many jurisdictions around the world
- The expectations are the same for non-Banks, although the actual Money Laundering risk is often significantly different
- However, we have seen more (potential) Money Laundering cases as well over the past years with an increasing trend
- AML and Fraud are often closer together from the outset and can support each other well to raise the level of awareness with Senior Management
- The regulatory expectations are rising in the AML as well as CFT area
→ you will need a robust program for both across your franchise