

MONEY LAUNDERING.COM
15th Annual International Anti-Money Laundering Conference
 March 15-17, 2010 | The Westin Diplomat | Hollywood, Florida



Extracting Lessons from SARLAFT, the Colombian Regulatory Model



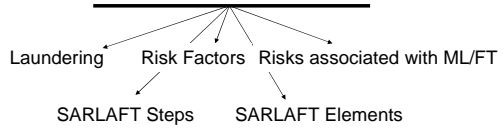
Presented by:
 Ira Morales- Managing Director
 Octavio Betancourt- Managing Director

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S.A.R.L.A.F.T


Sistema de Administracion del Riesgo de Lavado de Activos y de la Financiacion del Terrorismo

Asset Laundering and Financing of Terrorism Risk Management System



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1 LAUNDERING



A Money
 Something generally accepted as a medium of exchange, a measure of value, or a means of payment
 Source: Merriam-Webster
 Dollar, Euro, Yen, etc....

B Assets
 An item of value owned
 Source: Merriam-Webster
 Property, Cars, Cash
 Life Insurance, Stocks
 Furniture, etc....

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2 RISK FACTORS

Clients/Customers

- **Type of Products:**
 - Person
 - Corporation (Coop, Limited, S.A.)
- **Activity:**
 - Services
 - Industrial
 - Commerce
 - Agricultural
- **Type of assets:**
 - Cash
 - Real Estate
 - Bonds
 - Stocks
- Where the **resources** are coming from:
 - Private
 - Public



2 RISK FACTORS

Products/Services



- Investments
- Checking Account
- Trusts
- Online Services
- ATMs



Geography

- Local
- Regional
- Country
- Foreign

Distribution Channels



- Branches
- Agencies
- Internet
- Third party vendors

3 RISKS ASSOCIATED



Reputational

- Loss of clients, diminishing income or judicial processes due to smear campaigns, bad image and/or bad press.

EXAMPLE

- A malicious reporter smears your company with rumors that were not proven
- Private company vs. Public company
- A. Andersen (Enron)

3 RISKS ASSOCIATED



Legal

▪ Loss of clients, diminishing income or judicial processes because of sanctions, fines or compensations due to failure to follow the law, regulations, and/or contractual agreements.

EXAMPLE

- Your company willfully or non-willfully did not file Suspicious Activity Reports. A visit from regulators reported a violation leading to a fine.
- Private company vs. Public company
- A. Andersen (Enron)

3 RISKS ASSOCIATED



Operational

▪ Loss of clients, diminishing income or judicial processes due to deficiencies, failures, and inadequate policies and procedures in human resources, processes, technology, infrastructure, or because of external factors.

EXAMPLE

- A technological glitch allowed a hacker to enter your financial institution's platform, and large sums of money were debited from accountholders
- Private company vs. Public company
- A. Andersen (Enron)

3 RISKS ASSOCIATED



Contagious

▪ Loss of clients, diminishing income or judicial processes due to an action or behavior of an associate, a relative or someone related (person, corporation that has some sort of influence in the entity).

EXAMPLE

- News media reports that one of the owners of a company faces legal problems that may subsequently evolve into Money Laundering charges. This will affect the company.
- Private company vs. Public company
- A. Andersen (WorldCom, Sunbeam)

3 RISKS ASSOCIATED



Inherent

- Risk that comes with the activity (service or product) without considering controls.



Residual or Net

- Risk that results after applying controls.

4 SARLAFT STEPS Identifying the Risks

- Must be identified before:
 - Launching a new product or service
 - Modifying a product or service
 - Opening new markets
 - Changing or adding a new way to deliver the product or service



New Service: Internet Banking

- Faceless customer (credit card, funds transfers, mortgage loans, etc...without face-to-face contact)
- Hacking
- Out of bank's targeted geographic area
- Transactions are instantaneous

How to identify the risks: Brainstorming, past experiences, industry experience

4 SARLAFT STEPS Measuring the Risks

- Measure the:
 - Probability or possibility of an event to occur.
 - Impact if it occurs
 - Risk Map
 - Risk profiles



New Service: Internet Banking

- Possibility of front men opening accounts
- Probability of not being detected
- What impact will it have in the bank if the above occurs:
 - Undetected Money Laundering
 - Scandal
 - Fines

5 SARLAFT ELEMENTS



Information Sharing

- Internal Reports
 - Unusual transactions
 - Suspicious transactions
 - Monitoring reports
- External Reports
 - SARs, CTRs, Multiple Cash transactions
 - Political campaigns, Transactions within the country using credit cards issued abroad



Training

- All areas
