2017 Conference Takeaways
Overcoming Sanctions Challenges While Maintaining Business Relationships

Takeaways

1. Always conduct risk-based sanctions screening on counterparties
2. Check to see if other ancillary parties to the transactions (e.g., shippers, vessels, agents, and intermediaries) create any sanctions risk
3. Document the due diligence
4. Put in place escalation procedures
5. Ensure that the contract gives the right to withdraw from the transaction if there is a risk of sanctions violations
Uncovering Sanctions Risks in Trade Finance Transactions

Takeaways

• Expect increased enforcement from regulators on Sanctions Compliance

• Sanctions risks in a trade finance transaction are unique and complex

• Mitigation of Sanctions Risk in Trade Finance requires a specialized screening solution approach

• Policies, procedures and training, specifically for Trade Finance need to be in place
Incorporating Compliance Strategies to Detect and Combat Complex Terrorist Financing Methods

Takeaways

• Understand
  ✓ The threat: groups and financing methods
  ✓ The response: importance of FININT

• Collaborate
  ✓ Importance of partnerships

• Disrupt and prevent
  ✓ Requires proactive strategies
How to investigate influence and indirect ownership hidden in complex corporate structures

Takeaways

Understand how to handle indirect ownership in complex ownership structures

Calculate and identify influence and control in complex and distributed ownership structures

Use this as a starting point for “what if” scenarios and further exploration
Managing the Risks of De-Risking and Financial Inclusion

Takeaways

Complex problem without easy, quick fix
  - Solution lies in a combination of initiatives and improvements

Role of regulator and collaboration with the banking industry and other stakeholders are important
  - Expectation that regulators should be engaged

Consistent and effective application of RBA is the key
  - How to ensure latitude provided in law and regulation is used
  - Banks should not close the door on too many potential clients

Customer interface issues should not be overlooked
  - We can all do more to improve
Managing the Risks of De-Risking and Financial Inclusion
Takeaways

Coordinated action among global banks, regulators and regional institutions are required to save the correspondent banking channels and access of regional institutions to global financial markets.

If the current trend continues, people and organizations in the more volatile areas of the world or in small countries with limited financial markets could be completely cut off from access to regulated financial services.

By pushing higher risk transactions out of the regulated system into more opaque, informal channels, they become harder to monitor.

Financial inclusion is a necessary precondition to effectively mitigate risks and combat financial crimes.
Managing the Risks of De-Risking and Financial Inclusion
Takeaways

An informed approach

Risk assessment

The compliance battle

Revenue and formal policies

Consistency is key: justification and actual purpose
Culpability in ML: Both Offender AND Enabler

Duty to lodge STRs: Applies to all, not only the financial sector

CAD will target both the principle offender, and “enablers” (such as financial intermediaries) in any investigation. The role of the enabler will be examined to see if they ought to have known/ suspected money laundering, what efforts were made to conduct proper due diligence, and whether any suspicious transaction reports were made.

The need to file Suspicious Transaction Reports applies to all. Some sectors (eg lawyers, accountants, real estate) appear to be under-reporting.
Global regulators will be expecting more from FIs in the context of implementing effective AML monitoring and surveillance:


Public – private partnerships will develop to take into account these higher expectations with more transparency and disclosure in respect of client information and transactional activity; and

Industry dialogue with the government agencies should start sooner than later to ensure that a two-speed approach doesn’t occur where FIs not actively involved in the public-private partnerships apply a different standard for AML/KYC.
Global transparency legislation is evolving and will continue to move forward – we have not reached peak compliance.

New UK legislation criminalises the facilitation of corruption or tax evasion extra territorially.

CRS defeat schemes expose organisations to accusations of facilitating money laundering.

Industry/Government co-operation and partnership is at the heart of future compliance solutions.
Correspondent banking encompasses a wide range of services which do not all carry the same level of ML/TF risks – proprietary transactions, liquidity and treasury management, local branch needs and solely domestic business is “low risk” if one were to use a RBA.

Complexity means uncertainty which, in and of itself, can lead to increased risk – multiple definitions of correspondent banking and various interpretations of those definitions when based on the notion that all CB activity is “high risk” can have unintended consequences.

On our own individual FIs, or law enforcement or governments cannot achieve much – it has to be a “joined up” effort.

The industry must beware of the unintended consequences of vague or overly general definitions – risk averse FIs in “financial crime risk off” mode may lead to unintended consequences on things such as financial inclusion.
Regulatory Roundtable: Reviewing Evolving APAC Compliance Trends, Expectations and Requirements

Takeaways

Take risks: develop new ideas and pilot projects that promote and test them

Senior leadership: endorse risk-taking and creativity

Legislation: facilitate partnership and information sharing

Individual endeavour: all will fail without commitment and hard work by all involved
Automating and Streamlining the Regulatory Examination Management Process

Takeaways

Manage the exam or lose control of the exam and the findings

Keep key stakeholders aware of the issues as they arise - senior management doesn’t like surprises

Understanding likely findings early in the exam process makes remedial measures easier to implement when required

Recognise the heightened regulatory exam environment

Fail to prepare, prepare to fail

The importance of effective stakeholder engagement and co-ordination
De-risking trend in CBR still continues

Not just because of Regulatory Compliance but also driven by Cyber Security threats, this trend is expected to persist for a while

Understanding what you can do in an effective and efficient way is the key to sustainable business growth
Technology Innovation: Understanding the impact of new products to existing controls

Takeaways

Developments in the Fintech and Regtech space may present new ML/TF risks for your organisation

Developments in the Fintech and Regtech space will most likely affect some of your organisation’s suppliers and customers

Need to review/update ML/TF risk assessment on a more frequent basis due to rate of change in the Fintech and Regtech environments

Need for ongoing monitoring of regulatory changes that will impact on Fintech and Regtech businesses.
Importance of AML regime in combating Tax Evasion and Money Laundering

- Provides intelligence to local and foreign Law Enforcement Agencies,
- Discourage the entry of tax evasion monies into financial system and protects the jurisdictions reputation as a trusted financial Centre

Tax evasion schemes are becoming more complex and larger carry significant reputation risk

- The funds flow is being fractured through the use of different platforms, institutions and jurisdictions
- Corporate structures are being used far more effectively to thwart investigations
- Legislative arbitrate both domestically and internationally make timely success difficult
Tax Evasion: Incorporating Investigation and Compliance Strategies into Your Institution’s AML Framework

Takeaways

More and more middlemen both complicit and non complicit are being used

- To distance the funds flow from the activity that triggers a tax position
- To Make the ‘Follow the money’ strategy difficult to identify the ultimate destination of proceeds of the crime
- To create legitimate taxation structure based on existing legal and governance arrangements which are then quickly converted into illegal structures.
Examining Recent AML Cases for Critical Lessons for Your Institution

Takeaways

• Develop and/or strengthen partnerships and information sharing (example, typologies) with the financial industry. Don’t be timid law enforcement!

• Make anti-corruption and oversight of PEP’s a top priority. Being bested by criminals is one thing, being cheated by your own is an absolute disaster.

• Continue to expand and support anti-cybercrime initiatives (examples, intrusion and virtual currencies). We can not afford to look the other way; the future is now.
Examine Recent AML Cases for Critical Lessons for Your Institution Takeaways

Improvements to Due Diligence Processes required

High focus on understanding beneficial ownership – source of wealth/funds

Implementing AML risk culture across the organisation

Enhanced analysis of AML risk metrics at Board & Senior Management level

Three lines of defense – right resourcing in the right place

New skills to manage AML risk – audit, technology, data

Information Sharing – public & private enterprise working together
Examining Recent AML Cases for Critical Lessons for Your Institution
Takeaways

Head Office / Parent Bank -
- Consider compliance costs before making expansion into unfamiliar jurisdictions
- Conduct thorough gap analysis
- Set forth global policy to ensure consistency
- Enforcement news spread very quickly, so it is crucial to take good care of each overseas branch

Overseas Branches / Subsidiary Bank -
- Mere adoption of head office framework is NOT enough
- Frequently communicate with head office and always have minutes / records
- Read every enforcement action carefully and brief senior management
Strengthening Your Compliance Program to Combat Emerging Risks of Trade-Based Money Laundering

Takeaways

Thorough onboarding of customers.

Know your customer’s industry, norms, counterparties and pricing while understanding geographic and financial product risks.

Monitoring and filtering of internal systems to detect irregular transactions.

Periodic evaluation of the customer profiles when internal systems are triggered.

Ongoing training of personnel in filing comprehensive STRs.