

Key Compliance Processes Undermined by ‘Fake News’: Sources

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Inaccurate yet widely circulated media reports are threatening the ability of financial institutions to screen their existing and potential customers for anti-money laundering purposes, say sources.

So-called “fake news” has proliferated in recent years thanks to websites in the United States and abroad that frequently publish or reprint highly partisan articles or even non-factual information made to look legitimate, and then use social media platforms like Twitter and Facebook to disseminate the stories internationally.

As a result, compliance staff must exercise more caution when running the names of clients through search engines, social media forums or news websites to check whether they may be connected to instances of money laundering or other financial crimes, according to a senior compliance officer at a U.S. financial institution.

“It is definitely something that we are aware of and think about,” said the compliance officer, who asked to remain anonymous. “Though there isn’t always a solution.”

Excessive partisanship in the media and the deliberate weaponization of news by governments against their adversaries at home and abroad casts doubt on what exactly constitutes a credible source of information.

The Turkish government, for example, has further tightened its grip on domestic media since the attempted coup against President Recep Tayyip Erdogan in July 2016, with several journalists jailed for criticizing the country’s shift away from secularism and the accumulation of power within the executive branch.

The country now ranks near the bottom of an annual press freedom index kept by nonprofit group Reporters Without Borders.

The senior compliance officer interviewed by *ACAMS moneylaundering.com* said his bank’s AML staff now reviews “as many sources of information as we can find” to determine whether reports from pro-government or opposition media are truthful.

Several jurisdictions suffer from the effects of government control over the media, including China, Iran, Saudi Arabia and Japan. In the United States, critics regularly lament what they believe to be media self-censorship produced by political and corporate pressure.

Russia does only a slightly better job than Turkey in ensuring that the national press can operate without constraints, according to Reporters Without Borders.

The Cold War adversary of the United States has also been linked by several governments to the distribution of false information to Western audiences, with U.S. and French officials having recently accused the Kremlin of orchestrating a negative media campaign to steer the outcome of elections towards nationalist, allegedly pro-Russian candidates.

According to former U.S. naval intelligence officer Michael Nance, a group of nearly 1,000 hackers in St. Petersburg, Russia under orders from the Kremlin worked 24 hours a day last year to push deceitful information on social media aimed at influencing the U.S. presidential election in favor of then-Republican candidate Donald Trump.

“Have you guys ever searched for a piece of news and thought: that can’t be right?” Nance, now a regular television commentator on counterterrorism issues, said last month at the *ACAMS moneylaundering.com AML & Financial Crime Conference* in Hollywood, Florida. “So you go look up *The Wall Street Journal*, or *The New York Times* and it’s not there, but you still get two, three hundred other hits. You might start to believe it.”

Take for example the widely disparate narratives surrounding Bill Browder, the chief executive and founder of Hermitage Capital and prominent critic of Russian President Vladimir Putin.

Browder, who was convicted in absentia of evading taxes in Russia and sentenced to nine years in prison, is the subject of dozens of articles by Kremlin-directed outlets *RT*—formerly known as *Russia Today*—*Sputnik* and *RIA Novosti*—which frequently quote Russian officials and give ample column space to others casting him as a liar and criminal.

Yet Browder is widely viewed as a champion of human rights in the United Kingdom and the United States, where he has directed a private investigation into the 2009 death of his attorney, Sergei Magnitsky, who passed away in a Moscow jail after exposing a tax fraud against his employer orchestrated by Russian officials in collusion with organized crime.

This confusing media landscape could make it more challenging for financial institutions to know their customers, according to Ellen Warwick, who until last year directed the enforcement and compliance division at the U.S. Office of the Comptroller of the Currency.

“If it turns out that fake news is factored into the analysis of a customer’s risk rating, the result may end up being inaccurate,” Warwick, now senior counsel at Buckley Sandler’s office in Washington, D.C. said.

The fragmentation of media that has coincided with the ascendance of online reporting over print and even television media allows individual consumers the option of getting their news only from sources that reflect their personal beliefs and those of their close relatives and friends.

As far as financial institutions are concerned, a “highly politicized” consumption of news by their employees may lead different compliance teams at different lenders to develop widely divergent interpretations of the same set of facts, according to Vasilios Chrisos, a principal of PwC’s financial crimes unit in New York.

“That could be tricky especially when financial institutions have the same regulatory agency, as examiners would then see inconsistencies from one institution to the next,” Chrisos said.

Many banks already have policies and procedures in place to verify the legitimacy of information obtained from public news sources. Some cross reference media claims against findings maintained by commercial databases, regulatory agencies and credit bureaus, and engage in direct interactions with their customers and correspondent institutions.

“We are going to be looking for things like arrests and indictments—not just news speculation,” a financial crime compliance executive at a second global financial institution said on condition of anonymity.

Bankers should also make an effort to “be cognizant” of their own biases and document their negative news-related compliance decisions in writing, said Katya Hirose, a senior director with FTI Consulting in Los Angeles.

“If you discredit a source, make note as to why so that there is a paper trail, so that the decision is easier to explain to regulators, for example,” Hirose said.