

# THE COST OF COMPLIANCE

## THE IMPACT OF CRIMINAL INVESTIGATIONS TO DETECT MONEY LAUNDERING – THE ROLE OF BANKS

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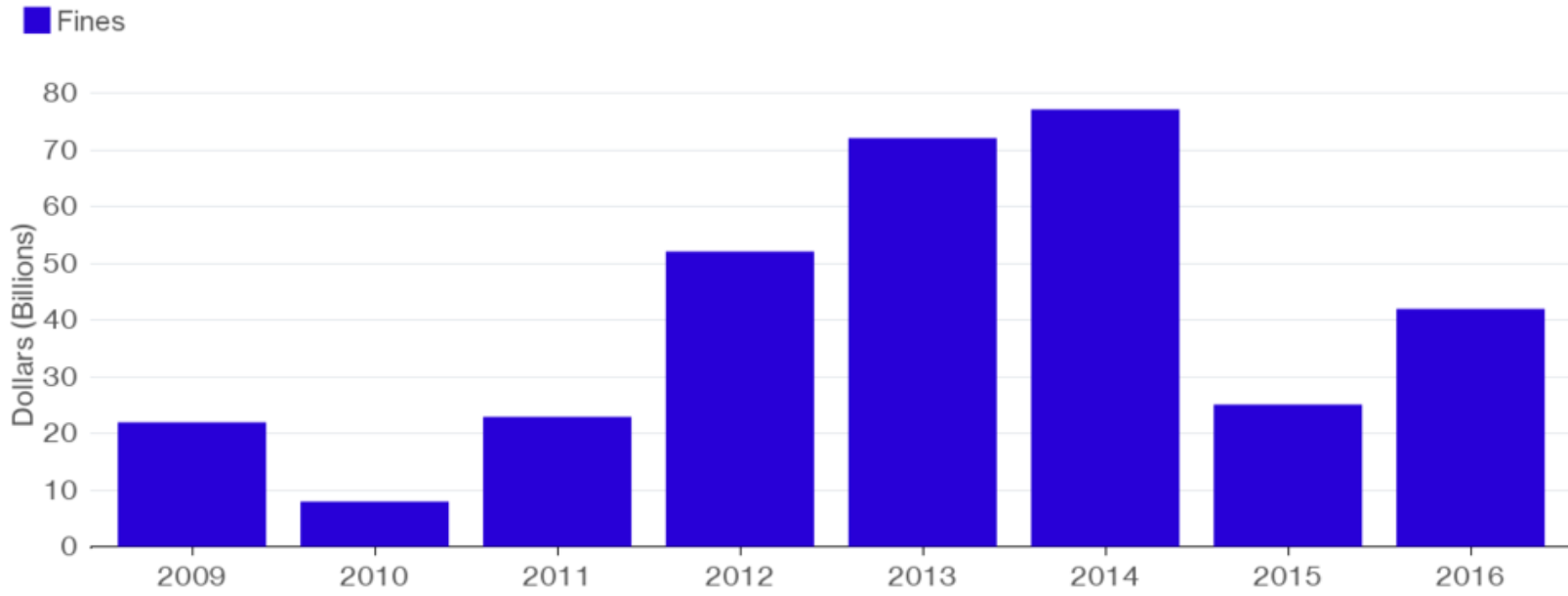
*Temple Group/Reuters Seminar  
14<sup>th</sup> September 2017*

*"As conduct-based regulations evolve, fines and penalties, along with related legal and litigation expenses, will remain a cost of doing business. Managing those costs will continue to be a major task for banks."*

*Boston Consulting Group, 2017*

## Bank Penalties

Global lenders have paid \$321 billion in charges since the financial crisis




Source: BCG

Bloomberg 

*“The major goal of a financial investigation is to identify and document the movement of money during the course of criminal activity ... that can be used in criminal proceedings to ultimately prove criminal activity”*

FATF Report and Guidance on Financial Investigations (2012)

# Key objectives of any financial investigation

1. Identify the proceeds of crime;
  2. Trace assets;
  3. Initiate asset confiscation measures, incl. temporary measures such as freezing/seizing of assets;
  4. Initiate money laundering investigations;
  5. Uncover financial and economic structures;
  6. Disrupt transnational networks; and
  7. Gather knowledge on crime patterns.
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- The **bank as a partner**, alongside the **investigator**, the **prosecutor** as well as the **legislator** or the **regulator** in addressing financial crime
- Each of these 4 authorities has its respective roles, powers and responsibilities well defined in law
- Their operational framework emanates from domestic, international or supranational (as defined by FATF; FSF; IMF/WB; Basel Committee; etc.) rules and standards
- The same holds true for banks

## HOW?

- With reference to:
  - ❖ **Statutes** – Banking Act; FSA; FIAMLA; Asset Recovery Act; GG&IRA; Regulations & Guidelines
  - ❖ **Regulatory requirements** – BoM; FSC; FIU; ICAC; MRA; RoC
  - ❖ **Best practice at industry level** –  
MBA Code of Ethics & of Banking Practice
  - ❖ **Internal policies & procedures**

# A Model of banks' Internal Financial Crime Risk Principles, Policies & Procedures

- **Complying with the requirements and obligations** set out in legislation, regulations, rules and industry guidance for the banking and financial services sector in the home & host jurisdictions;
- Appointment of a **MLRO** of sufficient seniority;
- Establishing & Maintaining a **Risk Based Approach (RBA) towards assessing and managing AML/CFT risks**;
- Establishing & Maintaining **risk-based customer due diligence (CDD), identification, verification and KYC procedures**;
- **Enhanced due diligence** in cases of higher risk customers such as PEPs and in Correspondent Banking relationships;



# Banks' internal financial crime risk policies & principles (cont'd)

- Establishing & Maintaining risk based systems and procedures for the **monitoring of ongoing customer activity**;
- Procedures for **reporting suspicious activity** internally and to the relevant law enforcement authorities as appropriate;
- Maintenance of **appropriate records for the minimum prescribed periods**;
- **Training & awareness** for all relevant employees;
- **Information flows & reporting to senior management & at Board level**

# And finally, a note of warning/caution relating to “Human Rights Considerations”

## Protection of information & Privacy Legislation

*“Data related to personal, financial or law enforcement records are protected and are often considered highly sensitive and confidential. Safeguards need to be put in place to ensure that this data is protected from misuse and is being accessed and utilized for legitimate purposes.”*

FATF Report and Guidance on Financial Investigations (2012)

***THANK YOU***

