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Anti-Money Laundering Newsletter

Quarterly News Update – December 2019

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- Mitigating risks of cyber-enabled crime
- ACAMS FinTech regulatory summit | San Francisco, California
- FRAML framework: merging fraud prevention and anti-money laundering units
- ACAMS 25th annual international AML & financial crime conference | Hollywood, Florida

Regulatory updates:

Trinidad and Tobago's progress in strengthening its legislative framework to tackle ML/TF

20 September 2019

Trinidad and Tobago has been in the CFATF enhanced follow-up process since its mutual evaluation report (MER) was adopted in 2015. The MER assessed the effectiveness of Trinidad and Tobago's AML/CFT measures and the country's compliance with the FATF Recommendations, after the CFATF's onsite visit which occurred during January 2015.

Since then, Trinidad and Tobago has reported back to the CFATF three times on its progress to strengthen its AML/CFT framework and to address the technical compliance deficiencies identified.

The third follow-up report (FUR) examined whether Trinidad and Tobago's measures met the requirements of FATF Recommendations including those Recommendations that have changed since their 2015 mutual evaluation and took into account the country's new measures since the mutual evaluation.

Full article

Bermuda to accept digital currency in 2020

24 October 2019

The Premier of Bermuda made an announcement during the island's recent Tech Summit that the Bermuda Government is set to accept digital currency payments for taxes, fees and services.

Starting at the beginning of 2020, the country will begin to allow digital payments in the form of stablecoins, provided they are licensed by the Bermuda Monetary Authority (BMA). A stablecoin is a form of cryptocurrency designed to offer price stability by linking it to a less volatile reserve asset or basket of assets, such as fiat currencies or exchange-traded precious metals.

Bermuda's initiative is supported by Circle and cryptocurrency exchange Coinbase, which last year launched USD Coin, a stablecoin pegged to the US dollar. There are currently about $1b of USD Coins in circulation. Circle is also the first company that obtained a full license under Bermuda's Digital Asset Business Act (DABA) and in July moved its exchange operations to that country.

In a statement, Circle's co-founder and CEO said, "Bermuda's Premier made a broader announcement today about embracing stablecoins as the future of the financial system, with a focus on innovations in fintech that can deliver value not just for Bermudians, but also globally via companies licensed under their Digital Asset Business Act.

Through the DABA, Bermuda is one of the first countries in the world to create a comprehensive regulatory framework for digital currency and digital asset-based products and services, including licensing of firms operating payment systems using stablecoins. It will be interesting to see how other governments will respond to this fundamental innovation," he added.

Bermuda's government believes there are many start-ups ready to develop future financial services on top of digital dollars and interested in becoming licensed under the Bermuda Digital Asset Business Act.

Full article

Procedures for the FATF fourth round of AML/CFT mutual evaluations

October 2019

The FATF is conducting a fourth round of mutual evaluations for its members based on the FATF Recommendations (2012), and the Methodology for Assessing Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems (2013), as amended from time to time. This document sets out the procedures that are the basis for these evaluations.

The scope of the evaluations will involve two inter-related components for technical compliance and effectiveness.

The technical compliance component will assess whether the necessary laws, regulations or other required measures are in force and in effect, and whether the supporting AML/CFT institutional framework is in place.

The effectiveness component will assess whether the AML/CFT systems are working, and the extent to which the country is achieving the defined set of outcomes.

The general principles and objectives that govern FATF mutual evaluations, as well as AML/CFT assessments conducted by the FATF-Style Regional Bodies (FSRBs), IMF or World Bank are to:

- Produce objective and accurate reports of a high standard in a timely way;
- Ensure that there is a level playing field, whereby mutual evaluation reports (MERs), including the executive summaries, are consistent, especially with respect to the findings, the recommendations and ratings;
- Ensure that there is transparency and equality of treatment, in terms of the assessment process, for all countries assessed;
- Seek to ensure that the evaluation and assessment exercises conducted by all relevant organisations and bodies (FATF, IMF, World Bank, FSRBs) are equivalent, and of a high standard;
- (i) be clear and transparent, (ii) encourage the implementation of higher standards, (iii) identify and promote good and effective practices, and (iv) alert governments and the private sector to areas that need strengthening; and
- Be sufficiently streamlined and efficient to ensure that there are no unnecessary delays or duplication in the process and that resources are used effectively.

Full article

BMA Corporate Service Provider Business Act 2012 Code of Practice

18 December 2019

This Code of Practice is made in accordance to section 7 of the Corporate Service Provider Business Act 2012. Section 7 requires the BMA to publish in such a manner as it believes fit a Code providing guidance on the duties, requirements, procedures, standards and sound principles to be observed by persons carrying on corporate service provider business. The Code should be read in conjunction with the Statement of Principles and Statement of Principles & Guidance on The Exercise of Enforcement Powers issued under section 6 of the Act. The objectives of this Code are to provide guidance to licenced corporate service providers on the standards required under the Act and other financial services legislation, as well as to the best practice in the industry.

Full article

Enforcement/administrative actions:

Money laundering fines total $8.14b in 2019

27 November 2019

The US and UK financial regulators lead the way in AML penalties issued in 2019, collectively accounting for more than 30% of the $8.14b total handed out in fines globally.

Analysis of global AML penalties between 1 January and 31 December 2019 by automated Know Your Customer (KYC) solutions firm Encompass Corporation found that a total of $8.14bn of fines were handed down for a total of 58 AML-related breaches. Regulators in the US were most active, handing out 25 penalties totaling $2.29b, followed by the UK with 12 fines totaling $388.4m. The largest single monetary fine was $5.1b in France, handed down to Swiss bank UBS after it was found guilty of illegally soliciting clients and laundering the proceeds of tax evasion.

Other regulators handed down fines across multiple jurisdictions, including Belgium, Bermuda, France, Germany, Hong Kong, India, Ireland, Latvia, Lithuania, the Netherlands, Norway and Tanzania.

Co-founder and CEO of Encompass Corporation, said: "Since 2015, annual AML penalty figures have been steadily rising each year. Multi-million dollar fines have been commonplace for a while, but we are now seeing more penalties of one billion dollars or over, with two in 2019 alone."

Full article

CFATF report of regional money laundering and terrorist financing cases

November 2019

In November 2019, the CFATF completed a compilation of cases based on regional money laundering and terrorist financing investigations and prosecutions. The report categorises these cases, some of which show money flows across corridors, using myriad legitimate facilities.

This report is a compilation of thirteen sanitised cases received from seven (7) CFATF member countries, two of which show clear elements related to terrorist financing. The cases, as compiled, enables the CRTMG to have an updated categorised list of regional ML/TF activities from which future projects may be selected.

This joint FATF and CFATF study considered how the effectiveness of the international standards, as applied to Trust and Company Service Providers (TCSPs), could be enhanced by evaluating the following:

- The role of TCSPs in the detection, prevention and prosecution of money laundering and terrorist financing;
- The effectiveness of the FATF Recommendations as they apply to TCSPs; and
- The potential need for additional international requirements or sector-specific international standards for TCSPs

Full article

US Treasury news release: OFAC sanctions Evil Corp., the Russia-based cybercriminal group behind Dridex malware

5 December 2019

The US Treasury Department's Office of Foreign Assets Control (OFAC) took action against Evil Corp, the Russia-based cybercriminal organisation responsible for the development and distribution of the Dridex malware.

Evil Corp has used the Dridex malware to infect computers and harvest login credentials from hundreds of banks and financial institutions in over 40 countries, causing more than $100m in theft. This malicious software has caused millions of dollars of damage to US and international financial institutions and their customers.

Concurrent with OFAC's action, the Department of Justice charged two of Evil Corp's members with criminal violations, and the Department of State announced a reward for information up to $5m leading to the capture or conviction of Evil Corp's leader.

Full article

International updates:

Global watchdog gives Iran until February to tighten AML rules

18 October 2019

A global dirty money watchdog stated recently that it had given Iran a final deadline of February 2020 to comply with international norms after which it would urge all its members to apply counter-measures. Foreign businesses say Iran's compliance with FATF rules is key if Tehran wants to attract investors, especially after the United States re-imposed sanctions on Iran last year.

France, Britain and Germany have tied Iran's compliance and removal from the FATF blacklist to a new channel for non-dollar trade with Iran designed to avert US sanctions.

Iran's leaders are however divided over complying with the FATF. Supporters say it could ease foreign trade with Europe and Asia when the country's economy is targeted by US penalties aimed at its isolation. Hardline opponents argue that passing legislation toward joining the FATF could hamper Iran's support for its allies, including Lebanon's Hezbollah.

Full article

Public consultation on FATF draft guidance on digital identity

31 October 2019

FATF is developing guidance to clarify how digital identity (digital ID) systems can be used for customer due diligence (CDD). The draft guidance intends to help governments, financial institutions and other relevant entities apply a risk-based approach to the use of digital ID for CDD.

The risk-based approach recommended by this Guidance relies on a set of open-source, consensus-driven assurance frameworks and technical standards for digital ID systems (referred to as 'digital ID assurance frameworks and standards') that have been developed in several jurisdictions.

The International Organisation for Standardisation (ISO), together with the International Electrotechnical Commission (IEC), is standardising these digital ID assurance frameworks and updating a range of ISO/IEC technical standards relating to identity, information technology security and privacy to develop a comprehensive global standard for digital identity systems.

Full article

Crypto firms can now apply for a license in France

27 December 2019

France's top financial regulator has published new rules regarding the licensing of digital asset service providers (DASPs) as well as guidelines for firms applying for the non-mandatory license and informing the regulator about internal cybersecurity practices.

The Autorité des marchés financiers (AMF) (or Financial Markets Authority) released the rules and the guidelines, opening up the opportunity for firms to apply. The rules and guidelines expand upon France's Plan d'Action pour la Croissance et la Transformation des Enterprises (PACTE) law, one of the first crypto legislative packages passed in Europe.

To apply, each DASP has to send the AMF a two-year business plan, a list of digital assets the firm is going to service, the list of geographies the firm will operate in and the firm's organisational chart, among other things.

Licensed DASPs are required to have professional indemnity insurance or a minimum amount of reserve funds, at least one effective senior manager, resilient IT systems, an internal control system, a claims handling procedure, an organisation enabling it to avoid conflicts of interests, and procedures to prevent money laundering and terrorist financing.

Full article

APAC wealth migration trends heighten financial crime risk

30 December 2019

Ongoing political demonstrations in Hong Kong are impacting APAC financial markets by accelerating wealth migration trends and increasing financial crime risk. As the risk profile in the region evolves, regulators increasingly expect financial institutions to leverage technology to meet compliance demands.

This unexpected upheaval and changing regulatory landscape should serve as a reminder to financial compliance professionals of the importance of tracking ongoing developments in a diverse region that is home to more than 40 regulators who have collectively issued nearly USD $610m in financial crime-related fines over the past decade.

Full article

Upcoming conferences/webinars:

ACAMS anti-financial crime/CFT symposium | Trinidad & Tobago

7 February 2020

This one-day interactive seminar provides in-depth presentations and discussions covering key areas in AML compliance and financial crime prevention with a focus on issues relevant to compliance professionals in the Caribbean Region.

More details

Mitigating risks of cyber-enabled crime

19 February 2020

Whether it's state-backed attacks by rogue nations, transnational criminal networks or even villainous employees pulling an inside job, the reality is that cyber-enabled crime threats are a clear and present — and growing — danger for financial institutions of every size.

In this informative and eye-opening webinar, anti-financial crime and technology experts will analyse evolving cybercrime typologies, outline systemic defenses that financial institutions need to implement, and examine best practices for keeping cyber defenses current as these sinister threats become ever-more insidious.

More details

ACAMS FinTech regulatory summit | San Francisco, California

4 March 2020

The meteoric rise of FinTech is rapidly disrupting how financial services are developed, managed and delivered. However, along with competitive advantages such as convenience and efficiency, FinTech firms face legal and ethical responsibilities to build effective compliance programs in areas such as anti-money laundering, counter-terrorist financing and privacy protection. On March 4, 2020, ACAMS hosts the FinReg Summit in America's innovation capital, San Francisco. Our conference focuses specifically on unique compliance challenges of FinTech organisations, while offering practical guidance on building oversight systems that can withstand regulatory scrutiny.

More details

ACAMS FRAML framework: merging fraud prevention and anti-money laundering units

18 March 2020

FRAML, the combination of fraud prevention and anti-money laundering, has become a growing trend for financial institutions in recent years, and merging these functions can potentially strengthen risk management and increase operating efficiencies.

However, these distinct AML specialties perform discrete functions — so combining them requires careful planning, thoughtful execution and comprehensive follow-up. This expert-led panel is rich with practical guidance on building a better FRAML framework.

More details

ACAMS 25th annual international AML & financial crime conference | Hollywood, Florida

20 - 22 April 2020

Artificial intelligence, data analytics, machine learning: clearly, this is the age of innovation for AML–which is why compliance and anti-financial crime professionals need to attend the 2020 ACAMS Hollywood

Conference. Because the reality is, financial criminals are also mastering innovation, as evidenced by growing incidents of cybercrime, ransomware attacks and synthetic identity theft. The Hollywood Conference tackles growing challenges such as virtual currencies, sanctions, dark web drug trafficking and domestic terrorism. The 25th edition of the Hollywood conference provides innovative insights for thriving and surviving in an age of AML innovation.

More details

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For any feedback/suggestions or if you need help with managing your AML risks, please reach out to us.

Get in touch

This is a quarterly newsletter capturing key regulatory AML updates and enforcement actions. This edition covers updates for the months October – December 2019. Any updates beyond this time will be captured in the next edition.