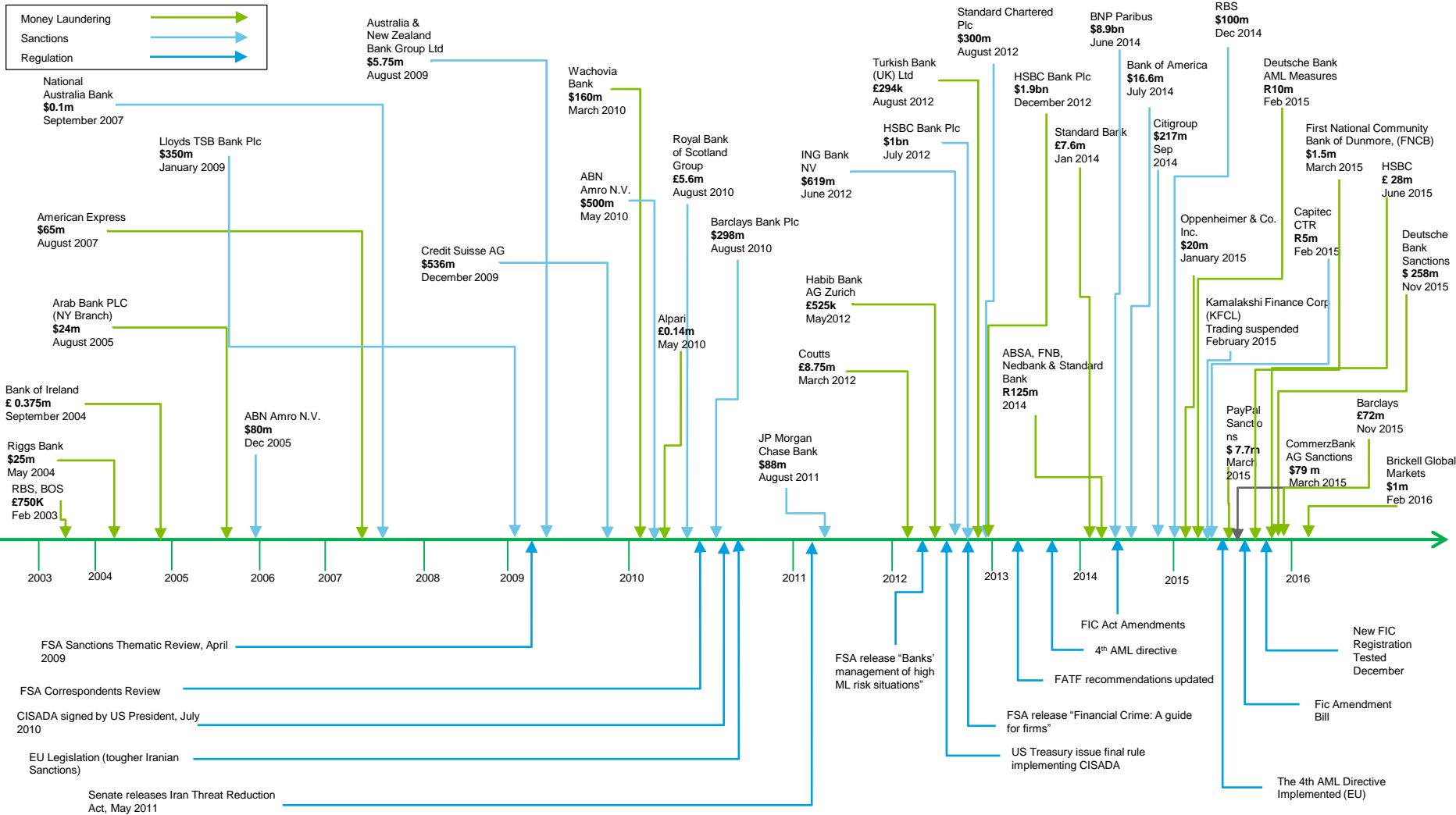
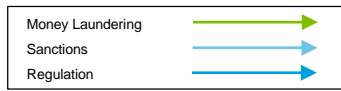




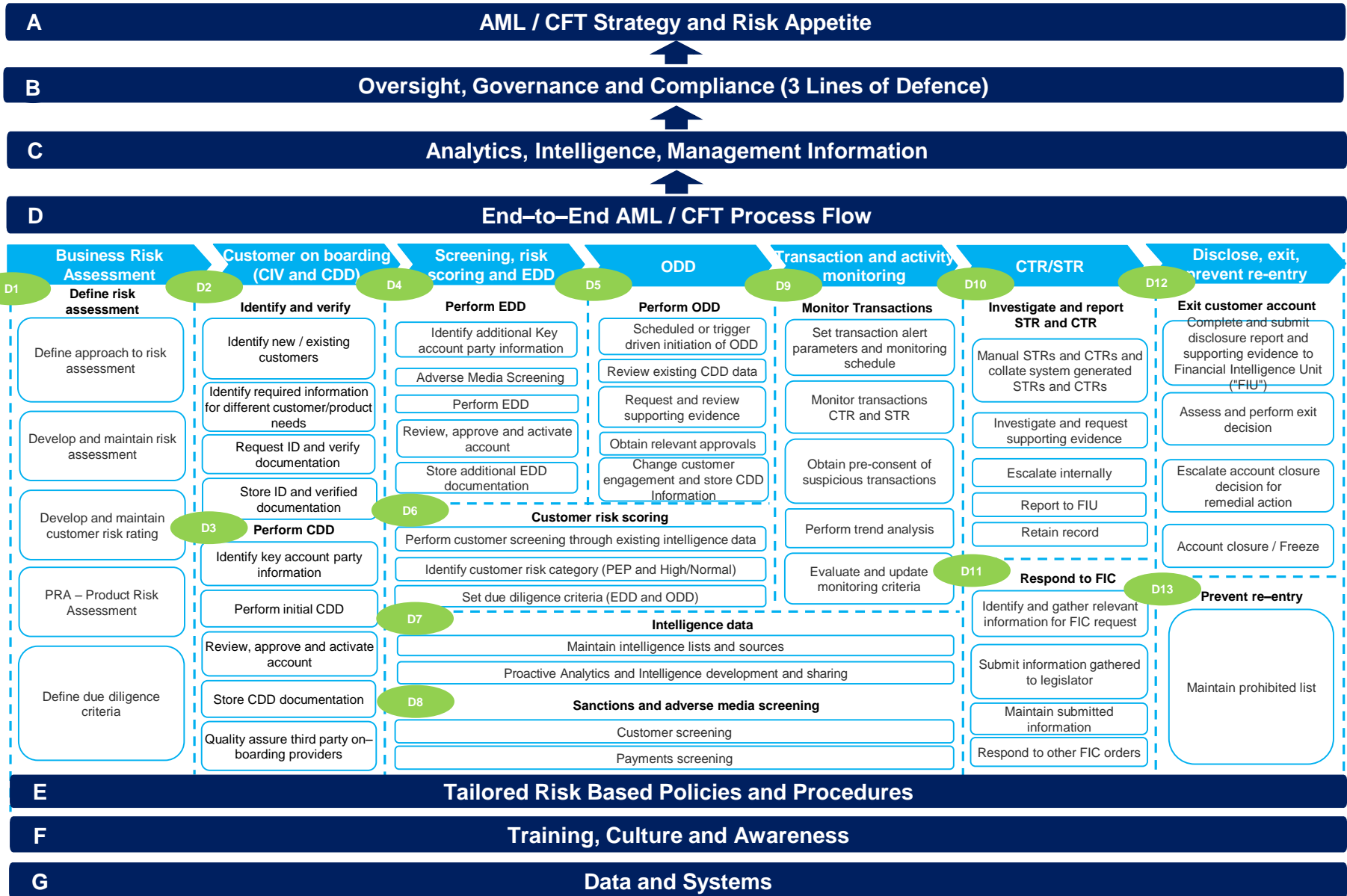
Financial Crime Sustainable Solutions

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AML, CFT and Sanctions – Integrated Risk Management Framework



Current industry hot topics - global

Core areas of focus

- 1** **KYC Data Quality**

Poor DQ (Data Quality) is a universal challenge. Poor DQ for Financial Crime increases the risks of compliance failure and regulatory action and reduces the ability of the client to leverage Financial Crime data for other purposes. E.g. When using KYC data for marketing purposes. The FSA have said that "... *Firms should also be able to demonstrate to the FSA that its data governance procedures both currently and in the future are sufficient to maintain the quality of the data to the standards applicable to their data.*"
- 2** **Sanctions Optimisation**

Testing continues to be a live issue for all FIs to help tune existing systems and demonstrate evidence based regulatory compliance. We can test and measure both efficiency and effectiveness. We have been successful through regulatory reviews but BAU activities around efficiency as much as effectiveness are a key focus. Efficiency plays resonate with cost cutting measures.
- 3** **Sanctions Assurance**

Regulator scrutiny remains, the sanctions environment is fast-changing (see Libya, Syria). The need to demonstrate assurance will be a focus this year. In the words of a large banking client, there is a clear need to "show me, tell me, prove it".
- 4** **PEP Screening**

FSA will be far more intrusive this year in AML, all firms struggle with identifying PEPs and dealing with them in line with regulation. The FSA reviewed this, and other areas in June 2011, they found that "*More than a third of banks visited failed to put in place effective measures to identify customers as PEPs.*"
- 5** **AML TM Optimisation**

FSA focus on AML will shine a light on the ability of systems to spot unusual activity effectively. The current cost focus in all FS businesses will highlight the need for this to be done as efficiently as possible. Optimising the alerts generated by any system (Sanctions, Fraud, AML, Market Abuse, ABC) means understanding data, systems, people and processes. Strategies for alert optimisation will be to the fore.

Current industry hot topics - global (cont.)

Core areas of focus

- 6 **Integrated Financial Crime**

Opportunities exist to enhance both detection and prevention of Financial Crime through the better use of analytics. Despite guidance from the Joint Money Laundering Steering Group (JMLSG) suggesting that firms need to have “*close liaison*” between those responsible for fraud, market abuse, money laundering and terrorist financing, this rarely happens.
- 7 **Refinement of the risk based approach**

Clear understanding of how customers are split across H, M, L risk ratings and tracking this. Refinement of risk assessment model elements (Industry, inherent client risk, product types, distribution channel, geography)
- 8 **Proliferation finance**

An area of increasing focus driven by FATF

On a practical level - How do you obtain, scan and review documents to confirm no proliferation links / sanctioned individuals
- 9 **SPVs and complex structures**

Understand why these structures are established – normally to avoid tax or hide identity

Some firms have introduced a policy of not accepting clients until the rationale is clear and transparent.
- 10 **Dormant account policy**

Some firms have implemented a policy that if an account is inactive for say 2 years, full CDD is required before the account can be used again. This allows focus to be on active clients and allows you to bring all clients up to most recent CDD standard.

Points of view

1

Holistic View

- A long term journey
- Centralized model away from federated model
- Embrace the end to end life cycle



2

Cultural Change

- Not to be underestimated
- Tone at the top
- Remove silo mentality on fraud and AML
- Internal communications



3

Improve Data Quality

- Larger the bank, the larger the problem
- Over-reliance on physical documentation
- Deters effective compliance



4

Talent

- Competition for skills is at all time high especially in emerging markets
- Increasing need to be 'on the ground', especially for geographies that are different to central HQ



5

Future Proof

- An agile framework for future trends
- Cryptocurrencies
- Payment technologies
- Commercial espionage

