

**Anti-Money Laundering
(AML)**
**Countering the Financing
of Terrorism (CFT) &**
Proliferation Financing (PF)

**Designated Non-Financial
Businesses and Professions
(DNFBPs) Workshop**

October 17th, 2013

Presented by:

ComplianceAid



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- Bachelor & Master at Florida International University
- Certified Anti-Money Laundering Specialist
- Association of Certified Anti-Money Laundering Specialists, South Florida Chapter, Founding co-chair
- 19 years of experience in Auditing, Banking , Insurance, Trust, Financial Services, Regulatory Compliance, Public and Private Accounting



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- Bachelor at Laval University
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- Provided training on AML & FATCA to over 100 government officials (senior public servants, members of parliament & ministers)
- Twenty years of experience in international and online business as well as application development.



ComplianceAid

**AML, FATCA,
Frauds**

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Agenda

Today's Agenda:

- Role of Financial Action Task Force (FATF)
- Role of Caribbean Financial Action Task Force (CFATF)
- AML/CFT Legislation in British Virgin Islands (BVI) (to include: offenses, penalties & tipping off)
- AML Sanctions International and Regional
- What is Money Laundering (ML), Terrorist Financing (TF) & Proliferation Financing (PF)?
- Why is ML,TF& PF applicable to me?
- What am I expected and obligated to do under the law as it relates to Money Laundering and Terrorist Financing?
- Implications of Non-Compliance
- What is Know Your Customer (KYC)/Due Diligence?
- Who is a Political Exposed Persons (PEPs)?



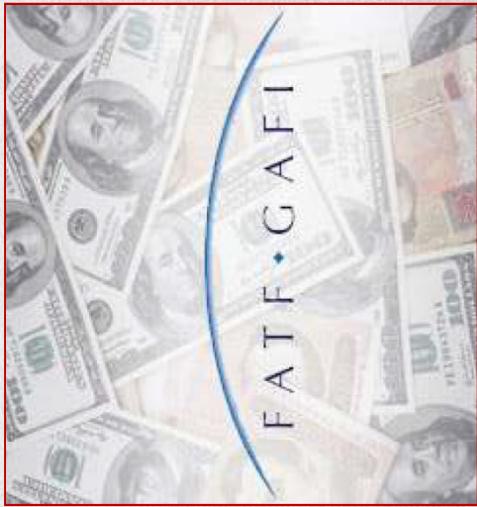
Today's Agenda:

Agenda

- Who are High Risk Customer's
- Enhanced Due Diligence
- Transaction Monitoring
- Customer Risk Rating (Profile)
- Elements of a Risk Assessment
- Suspicious Transaction
- Potential Red Flags
- When and how to report a suspicion (to include the importance of Suspicious Activity Reports (SARs), confidentiality and internal SAR referral form?)
- Record Keeping
- Ethics
- AML/CFT Template Package
- AML/CFT/PF Challenge



Role of Financial Action Task Force (FATF)



International Regulators

- The Financial Action Task Force (FATF) is an inter-governmental body established in 1989 by the Ministers of its Member jurisdictions.
- The objectives of the FATF are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.
- The FATF is therefore a “policy-making body” which works to generate the necessary political will to bring about national legislative and regulatory reforms in these areas.



Financial Action Task Force (FATF)

The 36 Members of the FATF

- The FATF currently comprises 34 member jurisdictions and 2 regional organizations, representing most major financial centers in all parts of the globe.

- Argentina
- Australia
- Austria
- Belgium
- Brazil
- Canada
- China
- Denmark
- European Commission
- Finland
- France
- Germany
- Greece
- Gulf Co-operation Council
- Hong Kong, China
- Iceland
- India
- Ireland
- Italy
- Japan
- Republic of Korea
- Luxembourg
- Mexico
- Netherlands, Kingdom of
- New Zealand
- Norway
- Portugal
- Russian Federation
- Singapore
- South Africa
- Spain
- Sweden
- Switzerland
- Turkey
- United Kingdom
- United States



Financial Action Task Force (FATF)

FATF Associate Members

- Asia/Pacific Group on Money Laundering (APG)
- Caribbean Financial Action Task Force (CFATF) Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL)
- Eurasian Group (EAG)
- Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG)
- Financial Action Task Force on Money Laundering in South America (GAFISUD)
- Inter Governmental Action Group against Money Laundering in West Africa (GIABA)
- Middle East and North Africa Financial Action Task Force (MENAFATF)



Caribbean Financial Action Task Force (CFATF)

- The Caribbean Financial Action Task Force (CFATF) is an organization of twenty-nine states of the Caribbean Basin, which have agreed to implement common countermeasures to address the problem of criminal money laundering.



Caribbean Financial Action Task Force (CFATF)

- The Caribbean Financial Action Task Force (CFATF) was designed to encourage the coordination of and the participation in anti-money laundering and terrorist financing training programmes. It is aimed at assessing the degree to which its members have implemented the recommendations of the FATF and CFATE.



FATF 40 Recommendations

On February 15th, 2012, The Financial Action Task Force (FATF) released the revised 40 Recommendations.

The main changes are:

- Combating the financing of the proliferation of weapons of mass destruction through the consistent implementation of targeted financial sanctions when these are called for by the UN Security Council.
- Improved transparency to make it harder for criminals and terrorists to conceal their identities or hide their assets behind legal persons and arrangements.



FATF 40 Recommendations

- Stronger requirements when dealing with **politically exposed persons (PEPs)**.
- Expanding the scope of money laundering predicate offences by including tax crimes.
- An enhanced risk-based approach which enables countries and the private sector to apply their resources more efficiently by focusing on higher risk areas.



FATF 40 Recommendations

- More effective international cooperation including exchange of information between relevant authorities, conduct of joint investigations, and tracing, freezing and confiscation of illegal assets.
- Better operational tools and a wider range of techniques and powers, both for the financial intelligence units, and for law enforcement to investigate and prosecute money laundering and terrorist financing.



FATF 40 Recommendations

The FATF will begin a new round of evaluations on the Recommendations of its member countries in 2014 and will focus much more intensively on assessing how effectively countries have implemented the Standards.

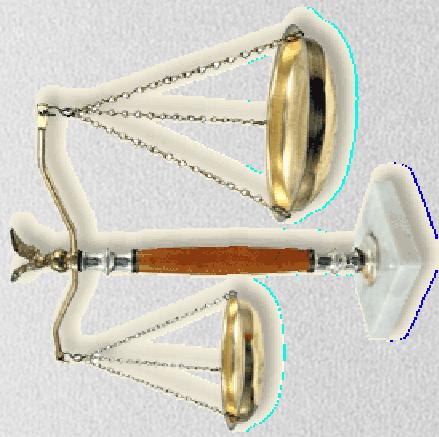


For complete information on the FATF Recommendations:

<http://www.fatf-gafi.org/dataoecd/49/29/49684543.pdf>



Legislation

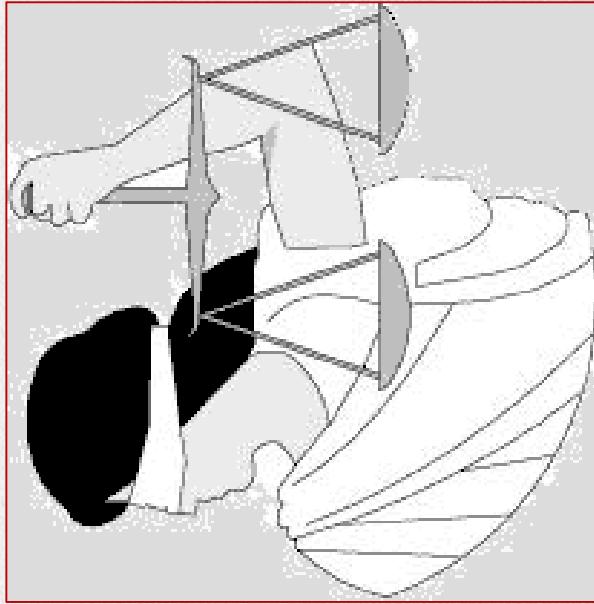


Offences & Penalties

Willful Blindness

You cannot dismiss information or suspicion pertaining to the legitimacy of funds.

Ignoring RED FLAGS can constitute “Willful Blindness”, and as such may be grounds for prosecution.



Offences & Penalties

Definition of Offence

An Offence is a violation of the law

Definition of Penalty

Penalty is a decree of punishment

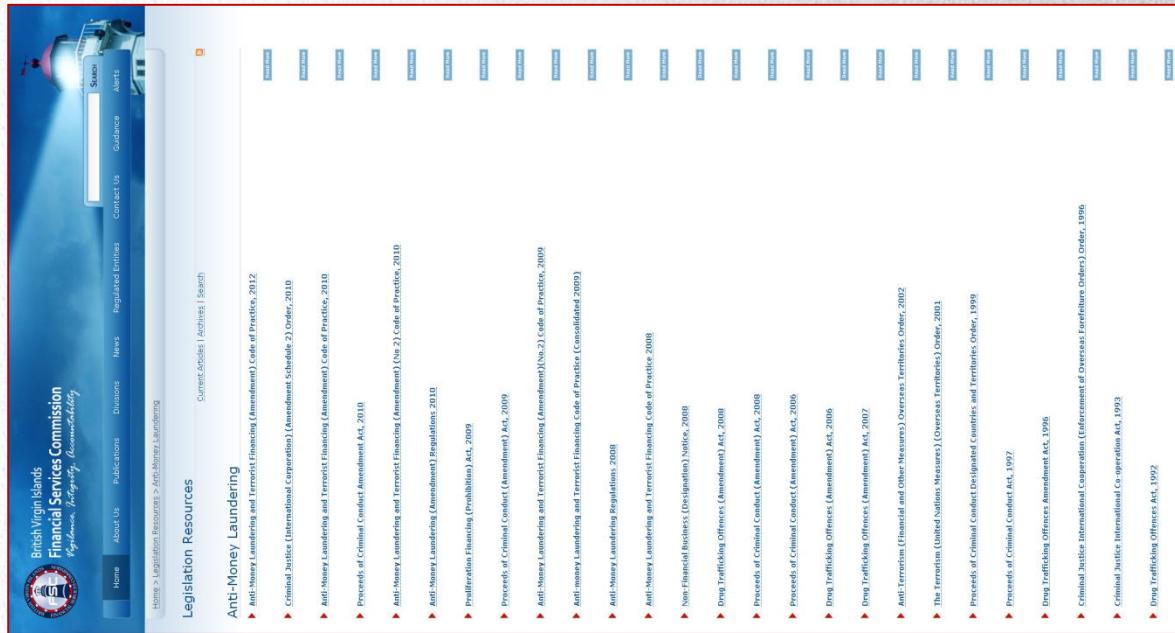


Legislation

► BVI has 29 orders, acts, regulations and guidelines which relates to Anti-Money Laundering and Countering Terrorism Financing.

- Financial Services Commission
- Financial Investigation Agency
- Virgin Islands Official Gazette

<http://www.bvifsc.vg/LegislationResources/tabid/358/articleType/CategoryView/catId/63/language/en-GB/Anti-Money-Laundering.aspx>
<http://www.bvifsc.vg/>
<http://www.bvifia.org/>



The screenshot shows the 'Legislation Resources' section of the BVI FSC website. At the top, there's a search bar and navigation links for Home, About Us, Publications, News, Regulated Entities, Contact Us, Guidance, and Alerts. Below that, a breadcrumb trail reads 'Home > Legislation Resources > Anti-Money Laundering'. The main content area is titled 'Anti-Money Laundering' and lists 29 related documents, each with a small preview icon and a link:

- Anti-Money Laundering and Terrorist Financing (Amendment) Code of Practice, 2012
- Criminal Justice (International Cooperation) (Amendment) Schedule 2 Order, 2010
- Anti-Money Laundering and Terrorist Financing (Amendment) Code of Practice, 2010
- Proceeds of Criminal Conduct Amendment Act, 2010
- Anti-Money Laundering and Terrorist Financing (Amendment) (No. 2) Code of Practice, 2010
- Anti-Money Laundering and Terrorist Financing (Amendment) Regulations, 2010
- Anti-Money Laundering and Terrorist Financing (Amendment) Regulations, 2009
- Proceeds of Criminal Conduct (Amendment) Act, 2009
- Anti-Money Laundering and Terrorist Financing Code of Practice (Consolidated), 2009
- Anti-Money Laundering Regulations, 2008
- Anti-Money Laundering and Terrorist Financing Code of Practice 2008
- New Financial Business (Designation) Notice, 2008
- Proceeds of Criminal Conduct (Amendment) Act, 2008
- Proceeds of Criminal Conduct (Amendment) Act, 2006
- Drug Trafficking Offences (Amendment) Act, 2006
- Drug Trafficking Offences (Amendment) Act, 2007
- Anti-Terrorism (Offenses and Other Measures) Overseas Territories Order, 2002
- The Terrorism (United Nations Measures) (Overseas Territories) Order, 2001
- Proceeds of Criminal Conduct (Amendment) Act, 1999
- Proceeds of Criminal Conduct Act, 1997
- Drug Trafficking Offences (Amendment) Act, 1996
- Criminal Justice International Cooperation (Enforcement of Overseas Firearms Order) Order, 1996
- Criminal Justice International Co-operation Act, 1993
- Drug Trafficking Offences Act, 1992

Legislation

www.bvgazette.org/searchresults.php?page_no=1

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Welcome to the Official Newspaper of the Government of the British Virgin Islands

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Searched 'laundering', found 9 results.
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*Deadline: 11th October, 2013

24 10th May, 2012

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THIS WEEK'S ISSUE
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10th October, 2013

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Legislation

“relevant business” means

- (a) banking business or trust business within the No. 9 of 1990 meaning of the Banks and Trust Companies Act, 1990;
- (b) insurance business within the meaning of the No. 15 of 1994 Insurance Act, 1994;
- (c) the business of company management within the meaning of the Company No Management Act, 1990; . 8 of 1990
- (d) business as a mutual fund or providing services as manager or administrator of a mutual fund within the meaning of the Mutual Funds Act, 1996;

(Virgin Islands Anti-Money Laundering Regulations, 2008)



Legislation

“relevant business” means con’t:

(e) without prejudice to paragraphs (a) and (c), the business of acting as a trust or company service provider for the purpose of providing any of the following services to a third party:

(i) acting as a formation agent of legal persons;

(ii) acting (or arranging for another person to act) as a director or secretary of a company, a partner of a partnership, or a similar position in relation to other legal persons;

(iii) providing a registered office, business address or accommodation, correspondence or administrative address for a company, partnership or any other legal person or arrangement;

(Virgin Islands Anti-Money Laundering Regulations, 2008)



Legislation

“relevant business” means con’t:

(iv) acting (or arranging for another person to act) as a trustee of a trust;

(v) acting (or arranging for another person to act) as a nominee shareholder for another person;

(f) the business of providing remittance service of Telegraphic Money Order under the Post Office (Telegraph Money Order) Rules, 1934 or money order under the Post Office Rules, 1976;

(g) the business of providing money transmission services or cheque encashment, whether pursuant to an enactment or otherwise;

(Virgin Islands Anti-Money Laundering Regulations, 2008)



Legislation

“relevant business” means con’t:

(h) the business of

(i) providing advice on capital structure, industrial strategy and related matters, and advice and services relating to mergers and the purchase of undertakings;

(ii) money broking;

(iii) the safe keeping and administration of securities; or

(iv) lending or financial leasing;

(Virgin Islands Anti-Money Laundering Regulations, 2008)



Legislation

“relevant business” means con’t:

- (i) the provision of services to clients by legal practitioners, notaries public or accountants which involve transactions concerning any of the following activities:
 - (1) buying and selling of real estate;
 - (ii) managing of client money, securities or other assets;
 - (iii) management of bank, savings or securities accounts;
 - (iv) organization of contributions for the creation, operation or management of companies; and
 - (v) creation, operation or management of legal persons or arrangements, or buying and selling of business entities;

(Virgin Islands Anti-Money Laundering Regulations, 2008)



Legislation

“relevant business” means con’t:

- (j) the business of acting as a real estate agent when engaged in a transaction for a client concerning the buying and selling of real estate;
- (k) the business of dealing in precious metals or precious stones when such transaction involves accepting a cash payment of fifteen thousand dollars or more or the equivalent in any other currency;
- (l) the business of operating a casino (where permitted by law) when a transaction involves accepting a cash payment of three thousand dollars or more or the equivalent in any other currency;

(Virgin Islands Anti-Money Laundering Regulations, 2008)



Legislation

► Anti-Money Laundering and Terrorist Financing Code of Practice, 2008

PRELIMINARY

1. Citation.
2. Interpretation.
3. Objectives.
4. General application and exception
- 4A. Application to charities, etc.
5. Compliance with this Code.

PART I - DUTIES OF THE AGENCY AND THE COMMISSION

6. Financial Investigation Agency.
7. Duties of the Agency on receipt of a report.
8. Financial Services Commission.
9. Proportionate inspection actions.
10. Training of Agency and Commission staff.



Legislation

➤ Anti-Money Laundering and Terrorist Financing Code of Practice, 2008

PART II - ESTABLISHING INTERNAL CONTROL SYSTEMS

11. Requirement to establish an internal control system.
- 11A. Prohibition of misuse of technological developments.
12. Duty to carry out risk assessment.
13. Roles and duties of an entity and a professional.
14. Responsibilities of senior management.
15. Responsibilities of an employee.
16. Reporting Officer.
17. Duty of Reporting Officer to make a report to the Agency.
18. Reporting a suspicion.



Legislation

► Anti-Money Laundering and Terrorist Financing Code of Practice, 2008

PART III - EFFECTING CUSTOMER DUE DILIGENCE MEASURES

19. Requirements of customer due diligence.
20. Requirements of enhanced customer due diligence.
21. Updating customer due diligence information.
22. Politically exposed persons.
23. General verification.
24. Verification of individual.
25. Verification of legal person.
26. Where a legal person assessed as low risk.
27. Verification in respect of underlying principals.
28. Verification of trust.
29. Non-face to face business relationship.
30. Requirement for certified documentation.



Legislation

► Anti-Money Laundering and Terrorist Financing Code of Practice, 2008

PART III - EFFECTING CUSTOMER DUE DILIGENCE MEASURES

31. Written introductions.
32. Requirements post-verification.

PART IV - SHELL BANKS AND CORRESPONDENT BANKING RELATIONSHIPS

33. Definitions for this Part.
34. Prohibition against shell banks, etc.
35. Restrictions on correspondent banking.
36. Payable through accounts.



Legislation

➤ Anti-Money Laundering and Terrorist Financing Code of Practice, 2008

PART V - WIRE TRANSFERS

37. Definitions for and application of this Part.
38. Exemptions.
39. Payment service provider of payer.
40. Payment service provider of payee.
41. Intermediary payment service provider.

PART VI - RECORD KEEPING REQUIREMENTS

42. Compliance with record keeping measures.
43. Due diligence and identity records.
44. Transaction records.
45. Minimum retention period of records.
46. Outsourcing.



Legislation

➤ Anti-Money Laundering and Terrorist Financing Code of Practice, 2008

PART VII - EMPLOYEE TRAINING

47. General training requirements.
48. Frequency, delivery and focus of training.
49. Vetting employees.

PART VIII - MISCELLANEOUS

50. Information exchange between public authorities.
51. Information exchange with private sector.
52. Recognised foreign jurisdictions.
53. Obligations re foreign branches, subsidiaries, etc.
54. Application of counter-measures.
55. Form of report.
56. Guidance on the types of suspicious activities or transactions.
57. Offences and penalties.
58. Revocation and transitional.



Legislation

► Anti-money Laundering and Terrorist Financing Fines

- Range from \$50,000 to \$150,000



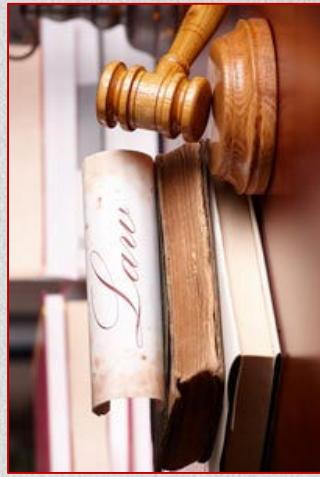
Legislation

► Proceeds Of Criminal Conduct (Amendment) Act, 2008

28.

- (1) Subject to subsections (2) and (3), a person commits an offence if he enters into or is otherwise concerned in an arrangement which he knows or suspects facilitates, whether by concealment, removal from the Territory, transfer to nominees or other means, the acquisition, retention, use or control of proceeds of criminal conduct by or of himself or by or on behalf of another person.

<http://www.bvifsc.vg/Home/LegislationResources/tabid/358/articleType/ArticleView/articleId/1221/categoryId/63/language/en-GB/Proceeds-of-Criminal-Conduct-Amendment-Act-2008.aspx>



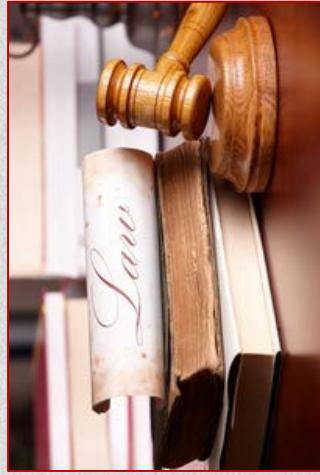
Legislation

► Proceeds Of Criminal Conduct (Amendment) Act, 2008

29.

- (1) A person commits an offence if
(a) he acquires, transfers or uses any property or has possession of it which, in whole or in part, directly or indirectly represents his proceeds of criminal conduct; or
(b) knowing or suspecting that any property is, or in whole or in part directly or indirectly represents, another person's proceeds of criminal conduct, he acquires, transfers or uses that property or has possession of it.

<http://www.bvifsc.vg/Home/LegislationResources/tabid/358/articleType/ArticleView/articleId/1221/categoryId/63/language/en-GB/Proceeds-of-Criminal-Conduct-Amendment-Act-2008.aspx>



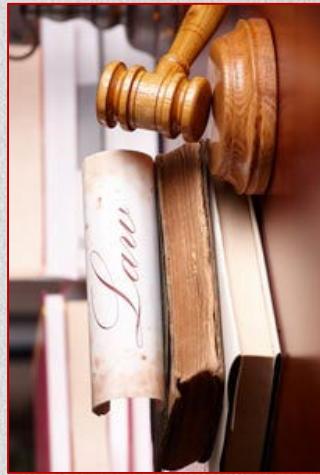
Legislation

► Proliferation Financing (prohibition) Act, 2009

An Act to confer powers on the Financial Investigation Agency to take action against persons and activities that may be related to terrorist financing, money laundering or the development of weapons of mass destruction and for other connected matters.

“money laundering” means any conduct that constitutes an offence under section 28, 29, or 30 of the Proceeds of Criminal Conduct Act, 1997

http://bvifia.org/docs/7Proliferation_Financing%20_ActNo15of2009.pdf



Legislation

► Proliferation Financing (prohibition) Act, 2009

“terrorist financing” means

- (a) the use of funds, or the making available of funds, for the purposes of terrorism; or
- (b) the acquisition, possession, concealment, conversion or transfer of funds that are, directly or indirectly, intended to be used or made available for the purposes of terrorism

“proliferation” means the development or production of nuclear, radiological, biological or chemical weapons or systems for their delivery



http://bvifia.org/docs/7Proliferation_Financing%20_ActNo15of2009.pdf

Penalties

► Proliferation Financing (prohibition) Act, 2009

Penalties:

- A person who commits an offence under subsection (1) is liable
- on summary conviction, to a fine not exceeding fifty thousand dollars;
 - or
 - on conviction on indictment, to a fine not exceeding **seventy thousand dollars** or imprisonment for a term not exceeding **three years or both**.

http://bvifia.org/docs/7Proliferation_Financing%20_ActNo15of2009.pdf



Legislation

► Anti-money Laundering Regulations, 2008 (amended 2012)

17. Offences and penalties:

(1) A person who fails to comply with the requirements of these Regulations or any directive issued pursuant to regulation 14 (2), commits an offence

(2) A person who commits an offence under sub-regulation (1) is liable, Offences and penalties.

- (a) on summary conviction, to a fine not exceeding 100,000 dollars; and
- (b) on conviction on indictment, to a fine not exceeding 150,000 dollars.



<http://bvisfa.org/docs/5S.1.%20No.%2012%20of%202008%20-%20Anti-Money%20Laundering%20Regulations.%202008.pdf>

Legislation

► Tipping off

(3) No action in relation to an employee's probity shall be taken in a manner that would amount to tipping off the employee contrary to section 23D of the Drug Trafficking Offences Act, 1992 or section 31 of the Proceeds of Criminal Conduct Act, 1997.

It must be remembered at all times that the DTOA, PCCA and the 2002 Order prohibit any act tending towards tipping off a customer, and acting contrary thereto attracts a criminal offence.

(Virgin Islands Anti-Money Laundering And Terrorist Financing Code Of Practice, 2008)



Legislation

► Tipping off

31.

(1) A person commits an offence if

- (a) he knows or suspects that any member of the Reporting Authority or other person is acting, or is proposing to act, in connection with an investigation which is being, or is about to be, conducted into money laundering; and
- (b) he discloses to any other person information or any other matter which is likely to prejudice that investigation, or proposed investigation.



Legislation

► Tipping off

31.

(2) A person commits an offence if

- (a) he knows or suspects that a disclosure ("the disclosure") has been made to the Reporting Authority under section 28 or 29; and
- (b) he discloses to any other person information or any other matter which is likely to prejudice any investigation which might be conducted following the disclosure.



Legislation

► Tipping off

31.

(3) A person commits an offence if

- (a) he knows or suspects that a disclosure (“the disclosure”) of a kind mentioned in section 28 (2) or 29 (5) has been made: and
- (b) he discloses to any person information or any other matter which is likely to prejudice any investigation which might be conducted following the disclosure.



Legislation

► Tipping off

31.

(4) Nothing in subsections (1) to (3) makes it an offence for a professional legal adviser to disclose any information or other matter

- (a) to, or to a representative of, a client of his in connection with the giving by the adviser of legal advice to the client; or
- (b) to any person
 - (i) in contemplation of, or in connection with, legal proceedings; and
 - (ii) for the purpose of those proceedings.



Legislation

► Tipping off

31.

(5) Subsection (4) does not apply in relation to any information or other matter which is disclosed with a view to furthering any criminal purpose.





AML Sanctions International and Regional

Sanctions

What are Sanctions and what is their purpose?

- Sanctions are measures which the international community targets certain countries, individuals and/or entities to coerce them into changing their behaviour so that they will no longer threaten international peace and security, abuse human rights or act contrary to international norms and/or obligations.



<http://www.fco.gov.uk/en/about-us/what-we-do/services-we-deliver/export-controls-sanctions/>

Sanctions

Different types of Sanctions?

- Sanctions can take the form of any of a range of restrictive/coercive measures. They can include arms embargoes, travel bans, asset freezes, reduced diplomatic links, reduction in any military relationship, suspension from international organisations, withdrawal of aid, trade embargoes, restriction on cultural/sporting links and other.



<http://www.fco.gov.uk/en/about-us/what-we-do/services-we-deliver/export-controls-sanctions/>

Sanctions: Who issues them?

UK Competent Authorities

- HM Treasury
 - Asset Freezing Unit
 - Department for Business, Innovation and Skills (BIS)
 - Export Control Organisation
 - Export and import restrictions
 - Restrictions on financing of certain enterprises
 - Import Control Organisation
 - HM Revenue and Customs
 - Restrictions on transportation
 - UKBA
 - Enforce travel ban
- Foreign & Commonwealth Office
 - The Sanctions Team
International Organisations Department
King Charles Street
London
SW1A 2AH
 - Tel: +44 (0)20 7008 3163
Email: sanctions@fco.gov.uk
 - 

<http://www.fco.gov.uk/en/about-us/what-we-do/services-we-deliver/export-controls-sanctions/>

Sanctions

Current UK Sanction Regimes

- Afghanistan
- Al-Qaida
- Belarus
- Democratic Republic of the Congo
- Egypt
- Eritrea
- Federal Republic of Yugoslavia & Serbia
- Iran (human rights)
- Iran (nuclear proliferation)
- Iraq
- Ivory Coast
- Lebanon and Syria
- Liberia
- Libya
- North Korea (Democratic People's Republic of Korea)
- Republic of Guinea
- Republic of Guinea-Bissau
- Somalia
- Sudan
- Syria
- Terrorism and terrorist financing
- Tunisia
- Zimbabwe

http://www.hm-treasury.gov.uk/fin_sanctions_currentindex.htm

Sanctions

Is the Treasury consolidated list of targets the same as that published by the European Union and the United States Treasury's Office of Foreign Assets Control (OFAC)?

- **Not necessarily.** The Treasury's consolidated list consists of the names of targets that have been listed by the United Nations, European Union and the UK under legislation relating to a specific financial sanctions regime. Where there is a legal basis for an asset freeze in the UK, the name of the target will be included on the Treasury's consolidated list. Lists provided by OFAC etc should include names listed under United Nations sanctions regimes but may not include names listed under European Union imposed sanction regimes. In addition, other lists may include names where domestic sanctions are in place. The European Union consolidated list only includes names of individuals and entities that are listed in annexes to various EC Regulations. This may well exclude any targets listed independently by the UK.

Sanctions

5. Turkish Bank (UK) Ltd fined for money laundering failings

The FSA has published a [Decision Notice](#) fining Turkish Bank (UK) Ltd (TBUK) £294,000 for breaching the Money Laundering Regulations 2007. The breaches related to TBUK's corresponding banking arrangements and were considered to be widespread by the FSA. This is the first time that the FSA has taken action against a firm in relation to money laundering weaknesses in its correspondent banking arrangements. Under the Money Laundering Regulations 2007, providing correspondent banking services to banks based in non-EEA states is considered to create a high risk of money laundering that requires enhanced due diligence and ongoing monitoring of the relationship. The FSA found that TBUK had failed to establish and maintain appropriate and risk-sensitive anti-money laundering (AML) policies and procedures for its correspondent banking relationships, had failed to monitor its relationships with correspondent banks and had failed to maintain adequate records. TBUK's failings were particularly serious as the FSA had previously warned it of deficiencies in its AML controls over correspondent banking. TBUK's fine comes as a result of the FSA's July 2010 thematic review of how banks in the UK were managing money laundering risks.

Sept. 2012

Sanctions

Mubarak sons own assets worth \$340 mln in Switzerland - official

 Recommend

 Be the first of your friends to recommend this.



CAIRO | Mon Oct 17, 2011 11:27pm IST

(Reuters) - The sons of Egypt's ousted President Hosni Mubarak own assets worth \$340 million in Switzerland and might have been involved in money laundering, a justice official tasked with recouping ill-gotten gains from abroad said on Monday.

Mubarak, toppled in a popular uprising in February, and his sons Gamal and Alaa are on trial for corruption and abuse of power. European governments agreed after Mubarak was ousted to freeze his assets and those of 18 associates.

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THE ASSOCIATED PRESS March 26, 2012, 08:03 AM ET

UK regulator fines queen's bank Coutts \$13.8M

By ROBERT BARR

LONDON

Britain's financial regulator said Monday that it had fined the queen's bank, Coutts Bank, 875 million pounds (\$138 million) for failing to maintain effective controls to prevent money laundering and monitor the accounts of high-risk clients.

"The failings at Coutts were serious, systemic and were allowed to persist for almost three years," the Financial Services Authority said. "They resulted in an unacceptable risk of Coutts handling the proceeds of crime."

Coutts, part of the Royal Bank of Scotland Group, specializes in private banking and wealth management. Known as the banker for Queen Elizabeth II, Coutts offers free current accounts to customers who invest at least 250,000 pounds. The division reported an operating profit of 321 million pounds in 2011.

The bank said the fine related to activity between 2007 and 2010.

STORY TOOLS

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Sanctions

UK Forex Provider Alpari (UK) Ltd (“Alpari”) Bounces back from Regulatory Sanctions

19 September 2012 at 16:54

Following regulatory action by the FSA in 2010, UK Forex provider Alpari has increased its headcount with trading volumes continuing to grow.

It was in May 2010, that the FSA imposed a financial penalty of £140,000 on Alpari who is an online provider of foreign exchange services for speculative trading.

The fine was for failing to have in place adequate anti-money laundering systems and controls. Its former money laundering reporting officer (MLRO), Sudipto Chattopadhyay, also received a financial penalty of £14,000.

Alpari has also recruited two new board members and further changes to the board are planned.

[BACK](#) to Newsletter September 2012 Issue 2

[BACK](#) to Sector News

Sanctions

This is Wiltshire » News »
NEWS 

Warminster builders jailed for 'laundering' money

10.01 am Monday 16th April 2012 in News



Jimmy Barney of Bradley Road, Warminster

Two men who 'laundered' thousands of pounds stolen from a vulnerable 87-year-old man by a rogue builder have been jailed.

Pensioner Derek Reilly, of Bussage, near Stroud, was duped out of £63,000 by Shane Cole, 25, for work that was worth only a couple of thousand.

Two of the cheques he paid out, totalling just over £30,000, went into the bank account of Cole's brother William and another, for £5,000, was paid by Barry McGowan of Boreham Fields, Warminster, into his account.

On Friday at Gloucester Crown Court William Cole, 26, of Sutton Scotney, Winchester, was jailed for 15 months after being convicted by a jury last month of two offences of money laundering.

Financial Institutions Fined

Pacific National Bank
March 2011

\$7 Million
OCC & FinCEN
AML Deficiencies

Pacific National Bank
May 2011

OCC & FinCEN
Board of Directors

Ocean Bank
August 2011

\$10.9 Million
FinCEN
AML Deficiencies

JPMorgan Chase
August 2011

\$88 Million
OFAC
Sanctions Violations

ING Bank N.V.
June 2012

\$619 Million
OFAC
Sanctions Violations

Standard Chartered
August 2012

\$340 Million
State of New York
Sanctions Violations

TCF National Bank
January 2013

\$10 Million
OCC
BSA / AML Violations

TD Bank, N.A.
September 2013

\$52.5 Million
OCC, FinCEN & SEC
Failed to file SAR

HSBC
December 2012

\$1.92 Billion
BSA / AML / OFAC
Sanctions Violations

What is Money Laundering (ML), Terrorist Financing (TF) & Proliferation Financing (PF)?



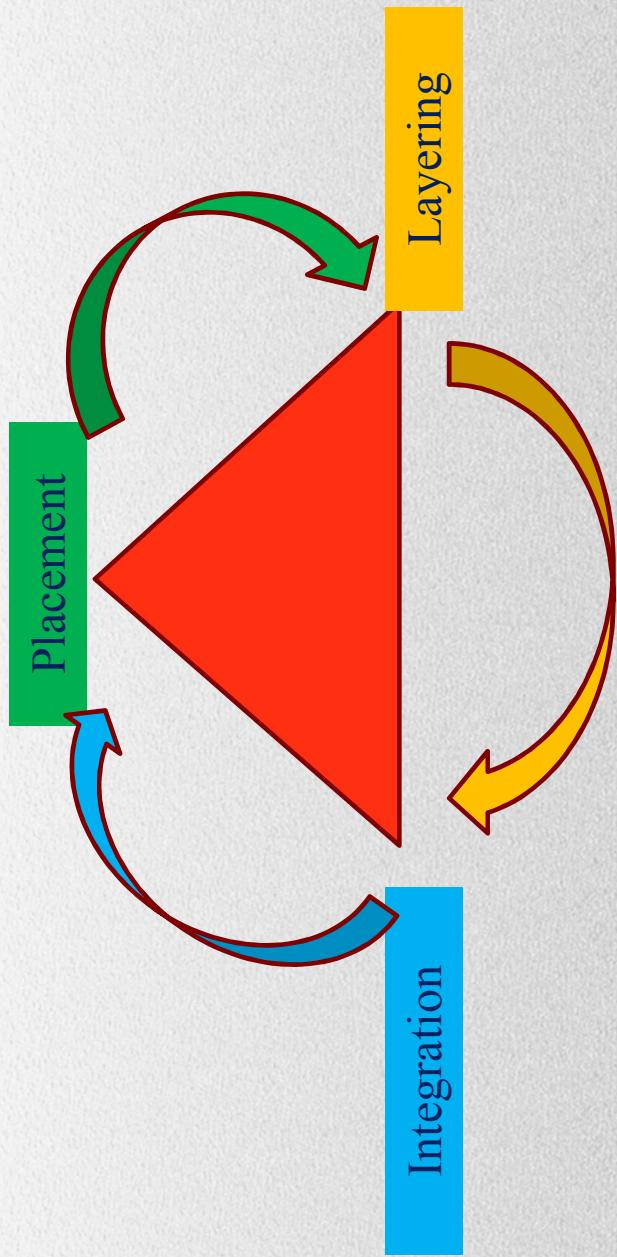
What is Money Laundering?



- Money Laundering is the process of integrating illegal proceeds into the legitimate financial stream by hiding its origin.

What is Money Laundering?

- Three Stages:



How is Money Laundered?

Placement

- This is the initial stage of the process, when the money launderer introduces the illegal proceeds into the financial system.

Layering

- This is the stage that involves converting the proceeds into another form and creating complex financial transactions to disguise the audit trail and the source and ownership of funds.



Integration

- This involves placing the laundered proceeds back into the economy to create the perception of legitimacy.

Money Laundering Methods

➤ Typologies

- Structuring
 - Human trafficking
 - Illegal Gambling
- Smurfing
- Bulk cash smuggling
 - Shell Company & Trusts Activity
- Smuggling (e.g. drugs, weapons)
 - Prepaid Card



Impact of Money Laundering on the Financial System

- The scope of Money Laundering is estimated in Billions of dollars world-wide.
- Money Laundering has the power to destabilize the economy of susceptible countries and compromise the integration of legitimate global financial systems by blending illicit funds into the world economy.



What is Terrorism?

Terrorism is a crime of purpose (for political and/ or publicity purpose) – ideological motivation generally



► Objectives of Terrorism:

- Financial Gain
- Intimidate entities to compel or abstain from doing an act

► Sources of terrorism:

- Donations from Wealthy donors
- Revenue generated from illegal activities (Kidnapping, extortion, arm trafficking)
- Fundraising from religious or charitable organizations
- Legitimate sources

What is Terrorism?

► Sanctioned Entities & Territories

- Countries have published names of “sanctioned” individuals, corporations and countries who have cooperated with financing terrorism (e.g. OFAC – Office of Foreign Assets Controls, United Nations sanctions, Treasury’s Asset Freezing Unit in England)
- Activity involving these entities must be given enhanced scrutiny, and on occasion immediate reporting to the authorities
- Screening of International Terrorist list available at: *theList.pro*



What is Proliferation & Proliferation Financing?

- Proliferation involves the transfer and export of technology, goods, software, services or expertise that could be used in nuclear, chemical or biological weapon-related programmes, including delivery systems; it poses a significant threat to global security



<http://www.fatf-gafi.org/media/fatf/documents/reports/Typologies%20Report%20on%20Proliferation%20Financing.pdf>

What is Proliferation & Proliferation Financing?

"Proliferation financing" refers to:

"the act of providing funds or financial services which are used, in whole or in part, for the manufacture, acquisition, possession, development, export, transshipment, brokering, transport, transfer, stockpiling or use of nuclear, chemical or biological weapons and their means of delivery and related materials (including both technologies and dual use goods used for non-legitimate purposes), in contravention of national laws or, where applicable, international obligations".

(Preliminary FATF definition, June 2010)

<http://www.fatf-gafi.org/media/fatf/documents/reports/Status-report-proliferation-financing.pdf>



What is Proliferation & Proliferation Financing?

- Proliferation financing is providing financial services for the transfer and export of nuclear, chemical or biological weapons; their means of delivery and related materials.
- It involves, in particular, the financing of trade in proliferation sensitive goods, but could also include other financial support to individuals or entities engaged in proliferation.
- They can also find their way into the hands of terrorists willing to employ WMD in acts of terrorism.



<http://www.fatf-gafi.org/media/fatf/documents/reports/Typologies%20Report%20on%20Proliferation%20Financing.pdf>

Why is ML,TF & PF applicable to me?



DNFBPs Roles and Responsibility in AML-CFT

- DNFBPs operations are being used for money laundering and terrorist financing by criminals and terrorists.
- DNFBPs personnel are the "front line" in combating illicit fund transfers in the business.
- This is because they are the first people that a customer sees at the business and are also the people most likely to detect and stop money laundering schemes, fraudulent transactions in order to prevent losses to the business.



DNFBPs Roles and Responsibility in AML-CFT

- DNFBPs personnel direct contact with customers, may enable them to detect suspicious activity at the moment it occurs.
- In addition, interaction with the customers enables staff to see patterns in the customer's business activity.
- External factors such as body language and behavior of a customer further assist in evaluating transactions.
- Staff at times are privy to information by customers, that may be confidential.



Break 15 mins



What am I expected and obligated to do under the law as it relates to Money Laundering, Terrorist Financing & Proliferation Financing?



What is a Compliance Program?

A systematic set of procedures adopted by the regulated entity (DNFBPs) to ensure enforcement of the requirements set forth in BVI's AML/CFT regulatory framework.

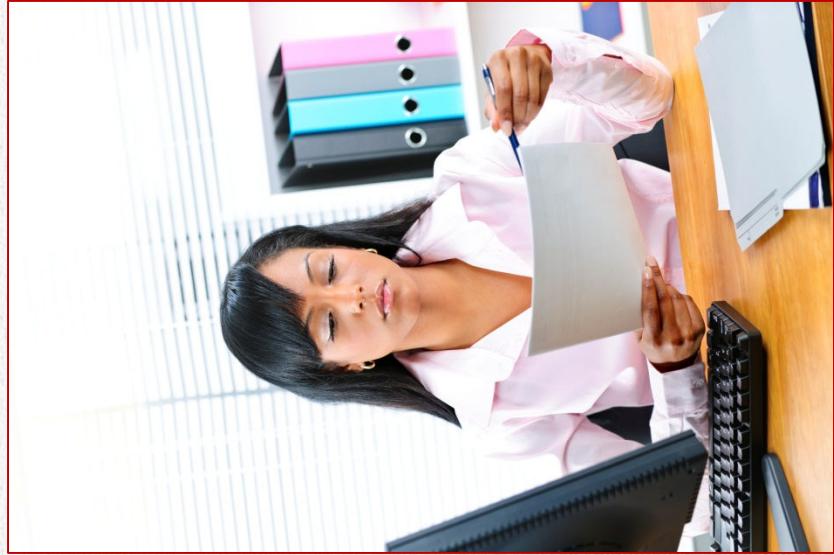
It typically entails:

- Designation of a Money Laundering Reporting Officer
- Policies, Procedures & Internal Controls
- Training
- Independent Testing (Audit)



Designation of a Money Laundering Reporting Officer

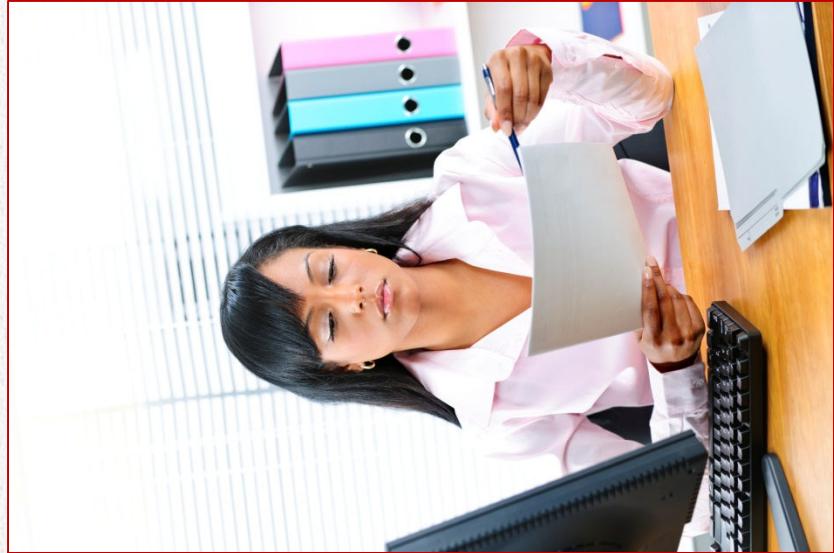
- Responsible for the management, coordination and monitoring of the regulated entity's AML/CFT compliance program
- Adequate resources must be provided to the Money Laundering Reporting Officer (MLRO) to effectively administer the AML/CFT compliance program



Designation of a Money Laundering Reporting Officer

- The Board of Directors (BOD) must ensure that the Money Laundering Reporting Officer has the sufficient authority to perform his/her functions although the BOD is ultimately responsible for the regulated entity's compliance with the AML/CFT program.

- Periodic communication must exist between Money Laundering Reporting Officer and the BOD (e.g. Compliance Committees, Quarterly reports, etc.)



AML/CFT Policies and Procedures

Formal delineation of principles and processes designed to ensure staff adherence to the regulated entity's AML/CFT mandates.

- Must be in writing
- Tailored to the industry
- Must be approved by the Board of Directors and in some jurisdiction it must be approved by the Regulators
- User-friendly



AML/CFT Policies and Procedures

Must include at minimum:

- Customer Identification Procedures
(Know Your Customer, also known as “KYC”)
- Customer(s) Due Diligence (CDD)
- Transaction Monitoring (TM)
- Suspicious Activity Reporting (SAR)



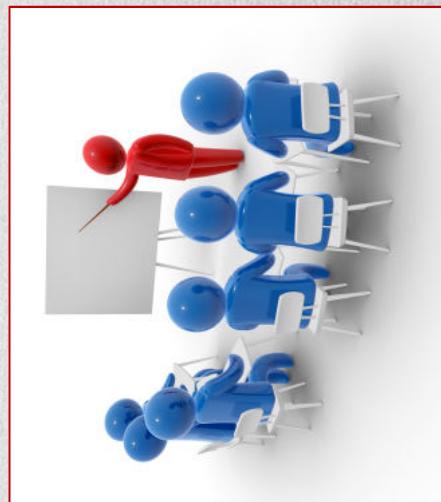
Training

- **When:** At least once a year or during HR on-boarding process.
- **What:** Regulatory requirements, employees responsibilities, internal AML/CFT procedures, and risks associated for non-compliance.
- **Who:** All employees including Board of Directors/Owners.



Training

- Why:
 - ✓ It is required by Law!
 - ✓ Inform employees of current regulations, development and typologies associated to money laundering, counter terrorism and proliferation financing.
 - ✓ Form of internal control (mitigation of risk)
- How: On-site or off-site, ongoing, must be documented & preferably tailored to the employees daily job functions



Independent Audit

Evaluation of the overall adequacy and effectiveness of the regulated entity AML/CFT program to include personnel knowledge and adherence to the program:

- Can be done by internal audit, outside auditors, consultants, or other qualified independent parties
- Frequency: Once a year based on the AML/CFT risk profile of the regulated entity



Independent Audit

- Results must be reported to the board of directors/owners or to a designated board committee.
- All of the regulated entity's activities – Risk-Based model to be applied.



Implications of Non-Compliance



Implications of Non-Compliance

- Compromises Regulated Entity's Trust and Reputation
- Regulated Entity may warrant additional inspections
- Inability to adopt compliance culture uncovered
- Snow-ball effect: Other areas might be affected



Implications of Non-Compliance

*‘It takes twenty years to build a reputation and five minutes to ruin it.
If you think about that, you’ll do things differently’.*

Warren Buffett



Implications of Non-Compliance

- Translate in extra costs and penalties
- Blacklisted
- Lost of local licenses



What is Know Your Customer (KYC)/Due Diligence?



KYC Overview

► Purpose of the KYC Program:

- Verify the identity of new and existing customers
- Maintain records used to verify a person's identity
- Consult lists of known or suspected terrorists, terrorist organizations or designated nationals, to determine if a person listed, wishes to engage in business with the regulated entity



Know your Customer “KYC”

► Program Requirements:

- Before establishing a new relationship with a customer (individual or business), the regulated entity must:
 - Record identifying information: Collect minimum information such as:

- Name
- Address



- Date of Birth-if individual
- Identification Number
- Maintain appropriate records
 - Records Retention
 - Consult government sanction terrorist lists

Know Your Customer

Essential information to collect and record:

- Customer Background
- Purpose of the Account/Transaction/Relationship
- Expected Activity
- Source of Funds
- Source of Wealth



KYC Individuals

- Name
- Date of Birth
- Street Address
- Identification type and Form
(unexpired government issued
photo-identification)
- Place of employment & occupation
are helpful for knowing new
customers.



KYC Companies

- Name of Business, Street Address & Tax ID Number
- Identify of Directors/Signors
- Must obtain documentation to verify Information provided by Commercial customers
- Specific information regarding source of funding, line of business and expected activity. This type of information is usually available in the company's certificate of registration / article of incorporation / operational agreements or annual financial reports, etc.



Know your Customer

Ensure to

- Verify customers information timely
 - Documentary
 - Non-Documentary
 - Additional Verification
- Maintain appropriate records
 - Records Retention (5 years after account/ relationship ends)
- Consult government sanction terrorist lists



Customer Due Diligence (CDD)

➤ According to Recommendation 10 the FATF's of the Forty Recommendations on Money Laundering, CDD measures should:

- Identify the customer and verify that customer's identity using reliable, independent source documents, data or information.
- Identify the beneficial owner, and taking reasonable measures to verify the identity of the beneficial owner, such that the financial institution is satisfied that it knows who the beneficial owner is. For legal persons and arrangements this should include financial institutions understanding the ownership and control structure of the customer.



Customer Due Diligence (CDD) cont....

- Understanding and, as appropriate, obtaining information on the purpose and intended nature of the business relationship.
- Conducting ongoing due diligence on the business relationship and scrutiny of transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the institution's knowledge of the customer, their business and risk profile, including, where necessary, the source of funds.



Importance of clean information on customers

- The regulated entity must make a strong effort to accept only those customers whose Source of Wealth and Funds that can be reasonably established to be legitimate.
- The primary responsibility for this function lies with the front-line staff who has the contact with the customer and introduces the customer for acceptance.



Importance of clean information on customers

- Simply fulfilling the internal procedures or providing basic information, does not relieve the front-line staff his/her responsibilities.
- The regulated entity must identify whether the customer is acting on his/her own behalf.



Importance of clean information on customers

- Beneficial ownership must be established for all relationships/accounts.
- Regulated entity staff should identify and inform their Money Laundering Reporting Officer of customers that may pose a higher risk to the regulated entity(e.g. Politically Exposed Persons “PEP”).



Who is a Political Exposed Persons (PEPs)?



Politically Exposed Persons

South China Morning Post
HONGKONG veer[®]
VERITAS TOWERS

MON Oct 14, 2013 Updated: 3:3pm

News ▾ Business ▾ Comment ▾ Lifestyle ▾ Sport ▾ Property ▾

Trending X Jinping Bo Xilai Edward

Home ▾ News ▾ Hong Kong

Silvio Berlusconi

Silvio Berlusconi has been Italy's prime minister three times, making him the country's longest-serving post-war premier. His leadership was undermined by sex scandals, and by the growing Euro zone sovereign debt crisis, and Berlusconi resigned as prime minister in November 2011, but mounted a comeback in the 2012.

Italian prosecutors accuse pair of laundering huge sums in scheme linked to Berlusconi; defence insists it was a legitimate business

NEWS ▾ HONG KONG ▾ INVESTIGATION

Italian prosecutors say Hong Kong women were key to a massive money-laundering scheme

Italian prosecutors accuse pair of laundering huge sums in scheme linked to Berlusconi; defence insists it was a legitimate business

Patrick Bothner and Liana Lam

Saturday, 19 October, 2013, 4:08pm

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Politically Exposed Persons



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Politics ► Justice ►

TELECOMMUNICATIONS:

'KRP suspects Russian [ex-] minister of laundering money in Finland'

11 October 2013

presseurop

Helsingin Sanomat



The Finnish National Bureau of Investigation (KRP) has launched an inquiry into allegations against Leonid Reiman, a former Russian minister for telecommunications from 2004 to 2008, reports [Helsingin Sanomat](#).

[Helsingin Sanomat](#)

According to Finnish police, during Reiman's tenure as minister, he is suspected of transferring more than \$11m (more than €8m) from Russian telecoms businesses to Cypriot company Albany Investment and the IFCOC International Growth Fund, an offshore entity based in the Caribbean, via the Finnish group Sekom.

American authorities and British Virgin Islands police have long suspected Reiman, an associate of Vladimir Putin, of illegally controlling part of the Russian telecoms sector via IFCOC.

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Original article at
[Helsingin Sanomat](#)

Politically Exposed Persons

theguardian

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News > World news > Bo Xilai

Bo Xilai case shines light on corruption in China

Political scandal over death of Neil Heywood draws attention to how Chinese officials make – and spend – ill-gotten fortunes

Tania Branigan in Beijing
guardian.co.uk, Thursday 19 April 2012 10.06 EDT



Photo:



Gu Kailai and Bo Xilai. She is accused of killing the Briton Neil Heywood and is alleged to have tried to shift money overseas. Photograph: Reuters

Some spent billions out of the country, buying up luxury villas abroad, one reportedly lavished wealth on 18 mistresses, another blew a quarter of a million dollars in a two-day gambling spree.

Chinese bureaucrats may have a grey image but their ability to amass – and spend – ill-gotten gains is eye-opening.

The extraordinary political scandal unfolding at the top of the party – the suspected murder of the Briton **Neil Heywood** by the wife of the top leader **Bo Xilai** – is unprecedented.

But the allegations of "serious disciplinary violations" by Bo himself, and/or attempts by his spouse, Gu Kailai, to shift money overseas, have put an instantly recognisable and very powerful face on an endemic problem.

In most cases involving very senior figures – such as the former Shanghai party secretary Chen Liangyu, now serving 18 years for corruption – there has been no suggestion they funnelled money overseas.

But last week a pointed article in the official party newspaper, the People's Daily, said corrupt officials had been secretly using children, wives, friends and even mistresses to move and hide ill-gotten wealth overseas. Investigators are also said to believe that **Gu killed Heywood because he threatened to expose her overseas investments**.

Corruption concerns have increasingly focused on "naked officials" who send their spouses and children overseas – usually followed, say critics, by sizable fortunes.

Politically Exposed Persons

CANADIAN POLITICS

Montreal Mayor Gerald Tremblay's party took 3% of ex-construction boss's city contracts, corruption inquiry hears

CANADIAN PRESS | Oct. 1, 2012 12:24 PM ET | Last Updated: Oct. 1, 2012 1:51 PM ET
[More from Canadian Press](#)

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In an image still off a TV screen, Lino Zambito testifies at the Charbonneau commission in Montreal on Friday, Sept. 27, 2012. Zambito said Monday that, for years, there was never all the continuity in witness from the City of Montreal with its political party of Mayor Gerald Tremblay.

TÉMOIGNAGE DE LINO ZAMBITO

MONTRÉAL — Quebec's construction inquiry has witnessed its first political bombshells, with a witness testifying Monday about systemic corruption at Montreal city hall and the mayor's political party.

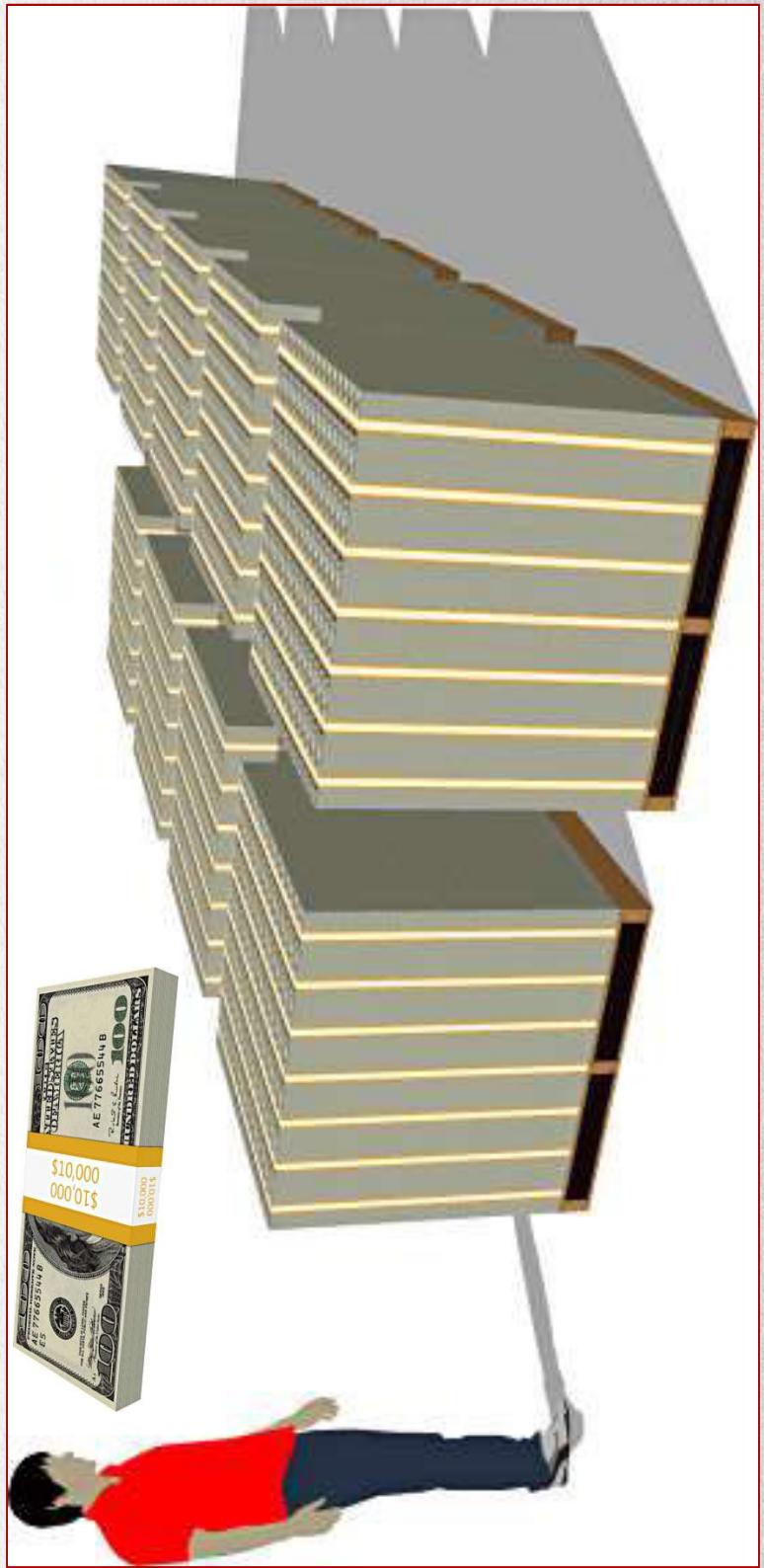
Post Picks

Our burgers, ourselfs: What a new McDonald's ad campaign says about



Politically Exposed Persons

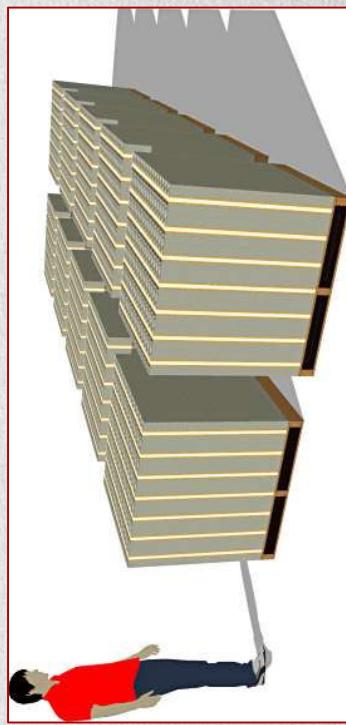
- BVI GDP is about \$850 million
 - 8.5 pallets of \$100 million



Politically Exposed Persons

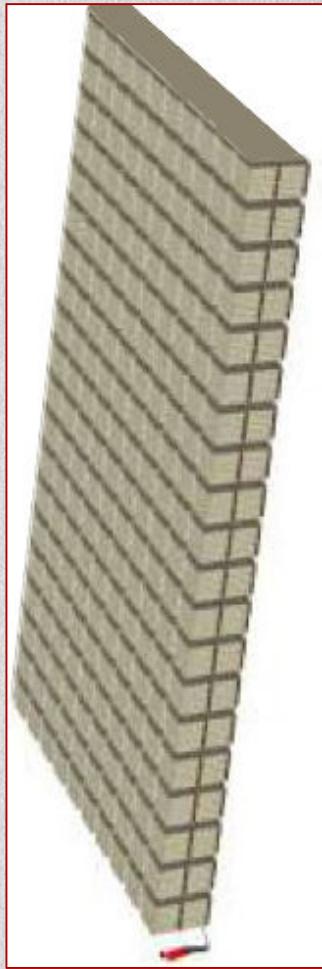
The Stolen Asset Recovery (StAR-UNODC/ World Bank) initiative has estimated that the proceeds of corruption stolen from developing countries range from \$20 billion to \$40 billion per year – a figure equivalent to **20% to 40% of flows of official development assistance.**

\$1 billion



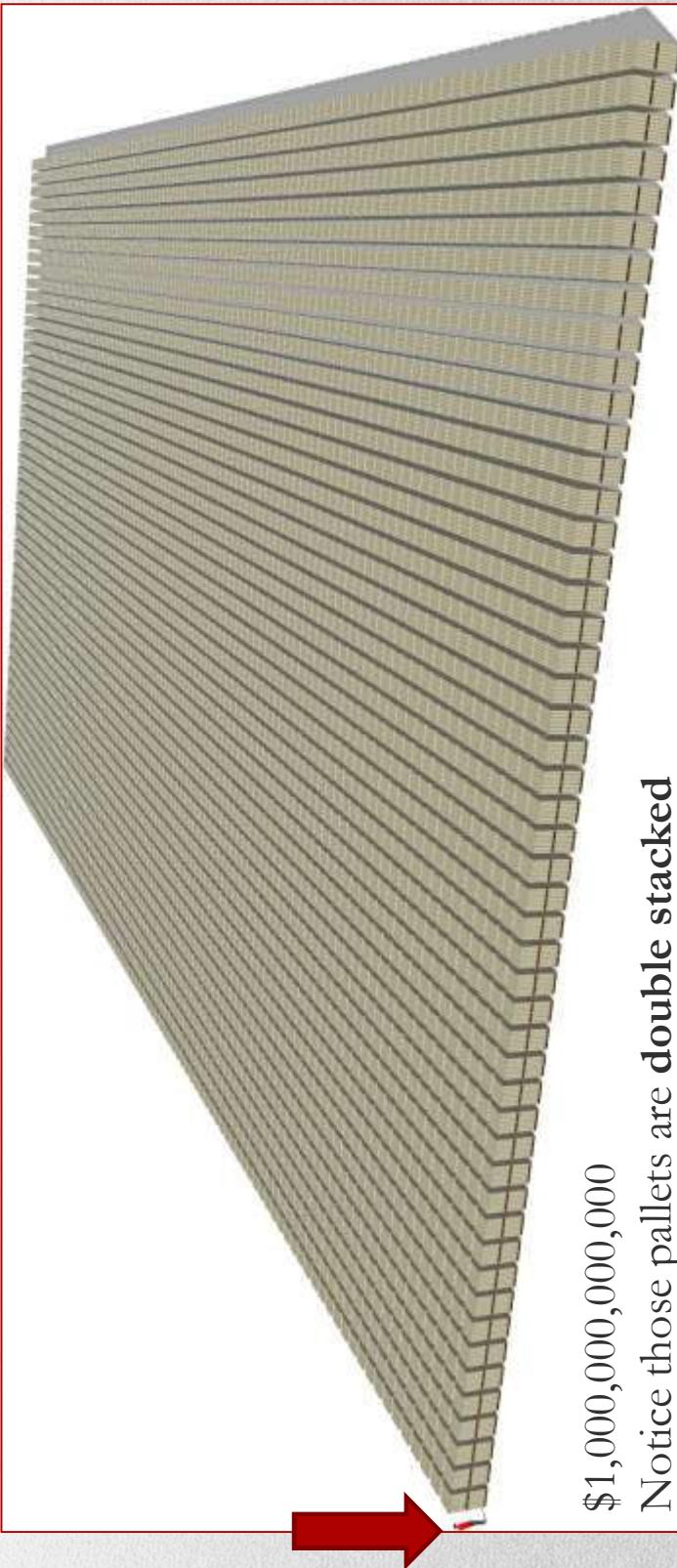
\$40 billion

Notice those pallets are double stacked



Politically Exposed Persons

The World Bank estimates that more than \$1 trillion is paid in bribes each year.



\$1,000,000,000,000
Notice those pallets are double stacked

Politically Exposed Persons

A person identified as a senior foreign or domestic political figure, any member of their immediate family and any close associate.



Politically Exposed Persons

- In February 2012 the definition of PEP was expanded to include “Domestic” PEPs
- Enhanced Due Diligence is recommended for PEPs

➤ Risk Rating: “High Risk” for Foreign, Varies for Domestic



High Risk Customer's, Enhanced Due Diligence

Enhanced Due Diligence procedures should be conducted for customers designated as:

- a) HIGH Risk Customers
- b) Politically Exposed Persons (PEPs)



High Risk Customer's, Enhanced Due Diligence

Money Laundering Reporting Officer should employ measures to:

1. Determine and verify the customer account sources of funds and wealth
2. Monitor transactions to the extent necessary to detect and report proceeds of foreign corruption
3. Review transactions coming from government, government controlled, or government enterprise accounts (beyond salary amounts)



High Risk Customer 's, Enhanced Due Diligence

4. Ascertain the identity of the Customer and any Beneficial Owner
5. Obtain adequate documentation regarding the Politically Exposed Person(s)
6. Understand the Politically Exposed Person's anticipated transactions/account activity
7. Apply on-going oversight of the PEP Account/Relationship



High Risk Customer 's, Enhanced Due Diligence

- Conduct a Media Review and/or public information search for information which may indicate suspicious activity or potential reputation risk with respect to the customer relationship
- Identify and escalate matters warranting Senior Management review, such as suspicious activity reporting referrals, negative media reports, etc.



High Risk Customer's, Enhanced Due Diligence

- TRANSACTION ANALYSIS:
Analysis of transaction activity, and products utilized
- AML HISTORY: Confirmation of previous investigations or SARs were filed regarding the Customer
- DUE DILIGENCE: Confirmation of Sanctions / PEP Verification in file



Know Your Customer (KYC)

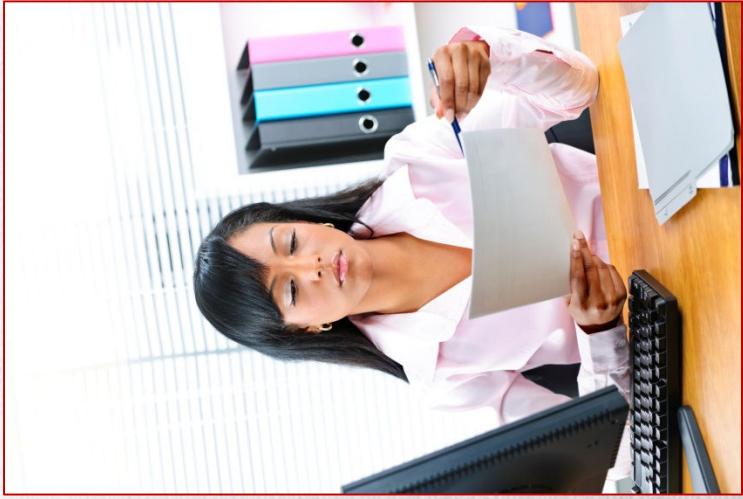
“Common sense” is the answer to most of the questions as to whether the document provide support or does not to the customer’s profile.



Transaction Monitoring?

To assist the Regulated Entity in complying with the monitoring and reporting requirements under the laws, the Money Laundering Reporting Officer should implement specific methods and processes designed to assist the Entity with:

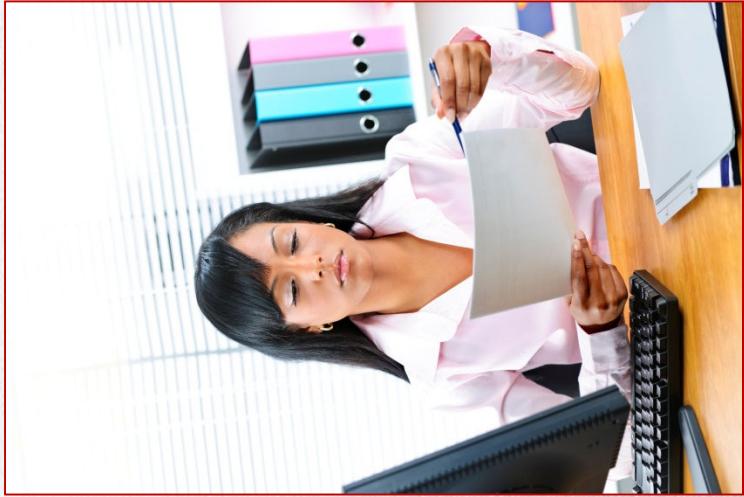
- Monitor customer activity
- Identify and detect suspicious activity
- Report to the appropriate regulatory and enforcement authorities



Transaction Monitoring?

The Money Laundering Reporting Officer should periodically review and confirm the adequacy of the Regulated Entity's AML-CFT monitoring activity and should amend the processes as appropriate.

On-going monitoring of a customer activity should be an essential aspect of the effectiveness of the AML-CFT program at the Regulated Entity and should be supported by the entity's Know Your Customer Program.



Transaction Monitoring?

Transaction Monitoring for potential money laundering involves retroactively reviewing customer transactions/history/profiles against what is known about money laundering typologies; illicit activities; and known money laundering risks associated with geographies, products and customer types.



Transaction Monitoring?

When reviewing transactions, the Money Laundering Reporting Officer should:

- Compare customer transactions against established money laundering criteria and red flag behaviors
 - Evaluate customer transactions against established customer profiles, and may refer to customer files, KYC/CDD checklists, previous investigations, or known information about the customer peer group



Transaction Monitoring?

- Ascertain if activity is normal for the customer, is part of an usual pattern of behavior, makes business sense or warrants additional review
- Determine if activity warrants additional investigation/ review, if available information does not sufficiently explain the activity in review
- Utilize the general awareness of money laundering activity, experience to detect unusual trends and activity



Transaction Monitoring?

- Refer to other resources during the investigation process, which may include media and internet searches
- Evaluate if customer, or the business activity under review occurred in a High Risk jurisdiction for Money Laundering or Terrorist Financing
- Money Laundering Reporting Officer should make appropriate notes to the Transaction File or report, for each customer identified in the report. Notes should reflect the action taken by the Money Laundering Reporting Officer.



Break 20 mins



Customer Risk Rating (Profile)



Customer Risk Rating (Profile)

At account/relationship opening/establishment the regulated entity Customer's Risk Rating Designation should be determine, based on information contained in the Customer Profile and Account Documentation.



The criteria for the Risk Designation should be reviewed by the Money Laundering Reporting Officer annually, as part of the Annual Risk Assessment.

When an account/relationship has been designed as High Risk, the decision to maintain the account/relationship should be made by the regulated entity Management Committee/Owner.

Customer Risk Rating (Profile)

High Risk Rating Designation

The Money Laundering Reporting Officer should designate new or existing accounts/relationships relating to certain persons, entities and jurisdictions as HIGH Risk, prior to account opening/establishing a relationship, if the customer or jurisdiction meet the following criteria:



- Accounts/Relationships located in a jurisdiction deemed non-cooperative, by the Financial Action Task Force (FATF) or other agency of the government, in international efforts to combat money laundering (NCCTs)
- Accounts maintained by Politically Exposed Persons (PEPs) and their immediate family or close associates

Customer Risk Rating (Profile)

- Casa de Cambios and Money Services Businesses
- Cash Intensive Businesses
- Non Governmental Institutions
- Professional / Financial Consultants
- Dealers in High Value items



Customer Risk Rating (Profile)

Medium Risk Rating Designation

Customers may be Designated as “MEDIUM” for AML Risk, that meet the below listed Criteria:



- Customer Parent Company maintains a long-standing relationship with the regulated entity
- Customer's activity does not pose an increased Money Laundering Risk

Customer Risk Rating (Profile)

Low Risk Rating Designation

- Salaried workers
- Account/Relationship of the regulated entity's employees
- Institutions – where they are subject to requirements to combat money laundering and the financing of terrorism consistent with the FATF Recommendations, and are supervised for compliance with those controls
- Public companies that are subject to regulatory disclosure requirements



Elements of a Risk Assessment



Elements of a Risk Assessments

- When
 - At least once a year
- Where
 - Risk Assessment Program - It must be quantifiable!
- Who
 - Your Money Laundering Reporting Officer or designee, Senior Management or external consultants
- What
 - All customers, products and services and geographies
- Why
 - To ensure that the regulated entity is identifying the AML-CFT Risks posed to its operations and implements the appropriate controls to mitigate identified risks



Elements of a Risk Assessment

► Main Objectives of the Risk Assessment:

- **Identify risk:** Recognize and understand existing risks or risks that may arise from new business initiatives



- **Measure risk:** Measure the level of Regulatory Risk, associated with a specific regulation or service/product and will measure the quality of the Controls, in place, to mitigate the Risk
- **Monitor risk:** Ensure timely identification of elevated risk levels and to report to appropriate individuals to ensure action, when needed

Elements of a Risk Assessment

► Main Objectives of the Risk Assessment con't:

- **Control risk:** To allow for the establishment and communication of policies, standards and procedures, which are appropriate to the level of identified risk



Your Compliance Risk Assessment measures the susceptibility to money laundering, terrorist financing and other financial crimes, posed to the regulated entity through its service/products, customers, and the geographies where customers are located

Elements of a Risk Assessments

➤ Required Elements:

- Risk Assessment Criteria: Include criteria used to assess Customers, Services & Geography
- Mitigating Factors:
 - Training / Staff Education
 - Policies / Procedures
 - Systems/Escalation of events
- Rating Assignment – High, Medium, Low



Elements of a Risk Assessments

- Draft a summary of your findings related to each category (Services, Customers, Geography)
- Assign the AML Risk Score given to “each” category based on the review(HIGH, MEDIUM or LOW)
- Finally, assign your AML Risk Score, which will be the average of the risk scores assigned to its customers, services/products and geographies



Elements of a Risk Assessments

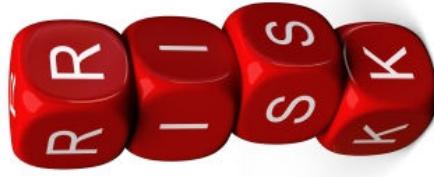
- Indicate if any follow-up will be necessary and if so, indicate how issues / discrepancies detected will be addressed (e.g. action plan, second review, other)
- The results of the annual AML Risk Assessment should be reported to senior management, if applicable.
- Policies, procedures, and internal controls must be updated based on the results, specially AML-CFT risk level should be updated accordingly



Elements of a Risk Assessments

➤ Benefits of adopting a Risk Based Approach?

- Assist in identifying in early stages those customers that may pose a Money Laundering and Terrorist Financing risk to the Regulated Entity
- Help in prioritizing the review of customer based on their risk profile
- Resources are commensurate with identified risks



Suspicious Transaction



Suspicious Transactions

- In today's constant changing Financial environment, it is important that you are aware of latest guidelines on money laundering and suspicious transactions.
- It is important to note that one cannot replace constant vigilance in protecting the interests of the regulated entity. In doing so, it is just as important to rely on your instinct when conducting your daily tasks.

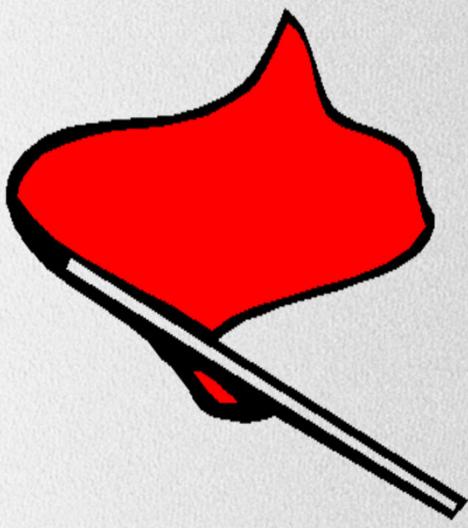


What is a Suspicious Transactions?

- Any transaction involving funds derived from illegal activities and/or any attempt to hide or disguise funds from illegal activities, as part of a plan to violate or evade any law.
- Any attempt to evade requirements under the Anti-Money Laundering Act.
- Transaction has no business or apparent lawful purpose, or is inconsistent and unexplained for the “normal” activity of a customer.
- Any attempt to access the entity’s computer system to customer funds, information or to damage information.



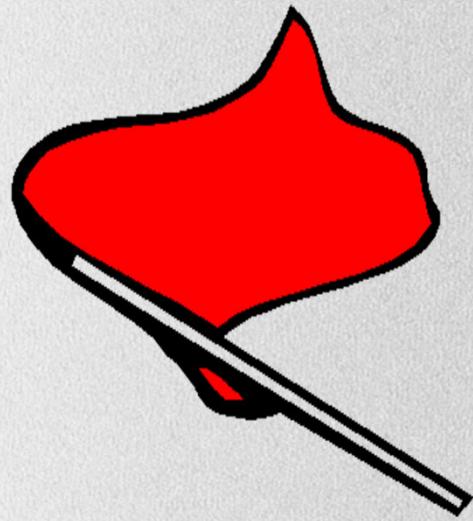
Potential Red Flags?



Red Flags

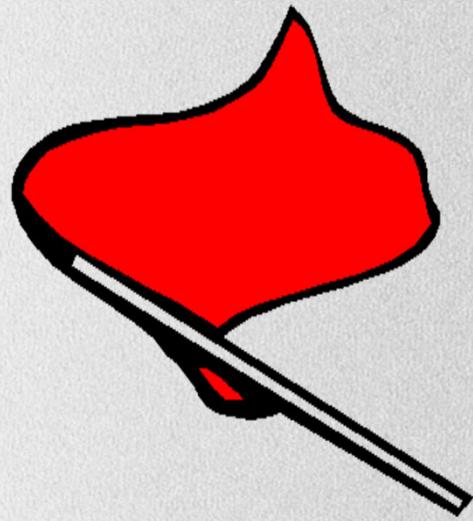
► What are Red Flags?

Indicators as to which customers may warrant additional attention based on entity type, geography, product usage, activity or other factors.



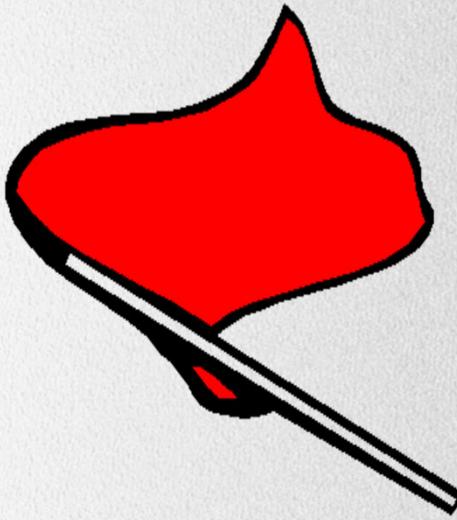
Red Flags

- There is a list of money laundering red flags (warning signs) all regulated entities' personnel should watch for.
- If the regulated entity staff were to encounter any of the following behaviors or activities, they should notify their Money Laundering Reporting Officer immediately and provide as much detail as possible.



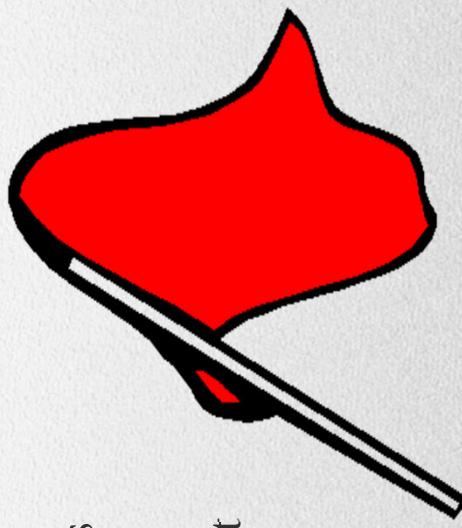
Red Flags

- Inconsistent activity for customer profile.
- Activity not commensurate with occupation.
- Use of multiple account for no legitimate purpose.
- Structuring of deposits to avoid AML requirements.
- Refusal to provide identification.
- Abrupt change in account activity.
- Customer appears to be living beyond his or her means.
- Customer has business activity inconsistent with industry averages or financial ratios.
- Company has no employees which is unusual for the type of business.



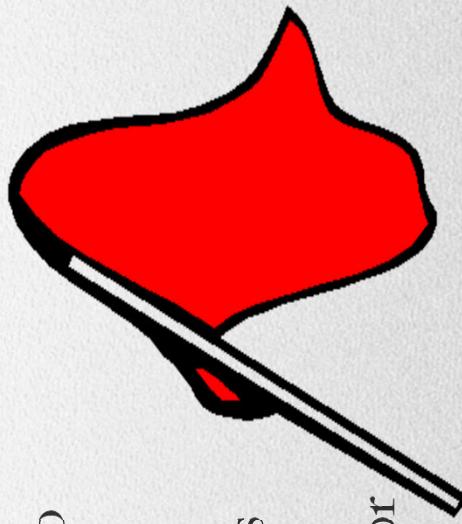
RED FLAGS

- Lack of references or identification and/or minimal, vague or fictitious information provided
- Customer has an unusual or excessively nervous demeanor
- Customer makes large cash transactions without counting the cash
- Customer has cheques inconsistent with sales (i.e., unusual payments from unlikely sources).
- Customer has a history of changing bookkeepers or accountants yearly.
- Customer is uncertain about location of company records.



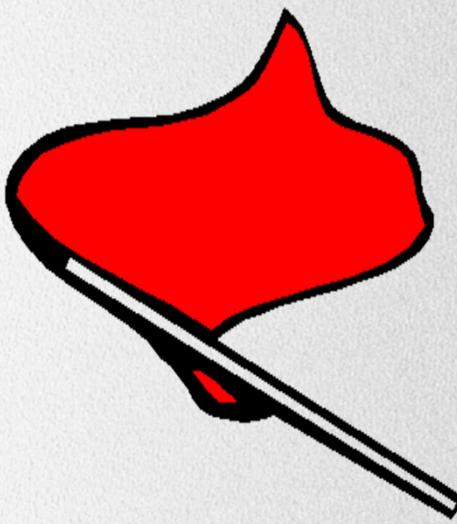
Red Flags

- Request to change beneficiaries to unrelated parties
- Purchases made by a wire transfer from/to foreign entities
- Payment made by banking instruments in which the name of originator of the funds cannot be determined
- Sudden or periodic changes of customer or beneficiary's address
- Financial statement inconsistent with those of similar business.
- Transactions structured to lose the paper trail.



Red Flags

- Significant increases in the number or amount of transactions.
- Transactions which are not consistent with the customer's business or income level.
- Transactions by non-account holders.
- Refusal or reluctance to proceed with a transaction, or abruptly withdrawing a transaction.
- Customer reluctance to provide information or identification.
- Multiple third parties conducting separate, but related, non-reportable transactions.



Customer and / or Regulated Entity Red Flags

- Questions or discussions on how to avoid reporting/record-keeping.
- Customer attempt to influence a regulated entity employee not to file a report.
- Lavish lifestyles of customers or regulated entity employees.
- Short-term or no vacations.
- Circumvention of internal control procedures.
- Multiple incorrect or incomplete Source of Funds Declaration.



**When and how to report a suspicion
(to include the importance of
Suspicious Activity Reports (SARs),
confidentiality and internal SAR
referral form)?**



Suspicious Activity Reports (SAR) FIA Role

- Financial Investigation Agency (FIA/FIUs) around the world and Law Enforcement agencies rely on Suspicious Activity Reports (SARs) to aid in terrorist and other criminal investigations.

- The FIA is responsible for receiving, analyzing, obtaining and disseminating information which relates to or may relate to the proceeds of money laundering or criminal offences.



Suspicious Activity Reports (SAR) FIA Role

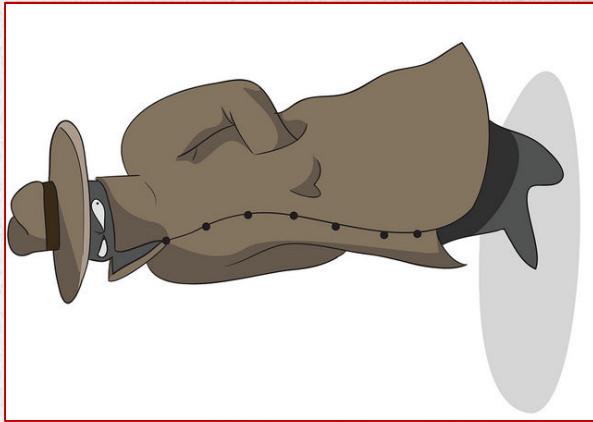
- The Financial Investigation Agency (FIA) is responsible for receiving, obtaining, investigating, analysing and disseminating information which relates or may relate to:
 - a financial offence or the proceeds of a financial offence
 - a request for legal assistance from an authority in a foreign jurisdiction which appears to the Agency to have the function of making such requests



<http://www.bvifia.org/pages.php?action=menu&id=2>

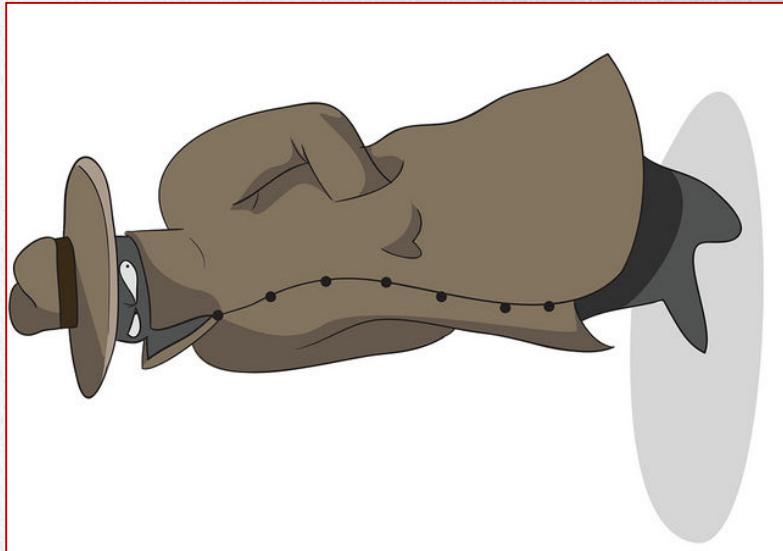
Suspicious Activity Reports (SAR)

- Each employee at the Regulated Entity should be on the lookout for suspicious activity.
- If you get a feeling something's "just not right about a customer's behavior, an account, or a pattern of transactions, immediately report the issue to the Money Laundering Reporting Officer.
- Do not tell anyone else besides your Money Laundering Reporting Officer.



Suspicious Activity Reports (SAR)

- In order not to breach your Regulated Entity's safe harbor protection, it is essential that suspicions and Suspicious Activity Reports (SARs) be kept confidential.
- Act in “Good Faith”
- Neither the Regulated Entity or its employees are permitted to notify any person involved in the transaction/ activity that an SAR has been filed, except where such request has been made by your FIA.



Suspicious Activity Reports (SAR)

- Elements of a Suspicious Activity Report:

Who?

What?

When?

Where?

Why?

How?



Suspicious Activity Reports (SAR)

► Penalties

- Failure to file a report
- Filing report containing material omission or misstatement
- Failure to maintain required records
- Failure to secure identifying information



Suspicious Activity Reports (SAR)

➤ Importance of filing SARs

- Identifies potential & actual illegal activity:
 - Money Laundering
 - Terrorist Financing
 - Other Financial Fraud & Abuse
- Detects & prevents flow of illicit funds
- Establishes emerging threats through analysis of patterns & trends
- It's Required By LAW!



Record Keeping



The Importance of Record Retention

- Record Retention is a fundamental part of the whole AML-CFT regime and without it many of the requirements cannot be met.
- Once a business relationship has been established, the regulated entity is required to maintain all relevant records on the identity and transactions of their customers for 5 years

Part VI Record Keeping Requirements

- 42. (1) An entity or a professional shall comply with the record keeping requirements outlined in the Anti-money Laundering Regulations, 2008 in the forms and details provided in this Code.

<http://www.bvifsc.vg/Portals/2/Anti-Money%20Laundering%20and%20Terrorist%20Financing%20Code%20of%20Practice,%202008.pdf>

(Anti-money Laundering Regulations, 2008 & Anti-Money Laundering and Terrorist Financing Code of Practice, 2008)

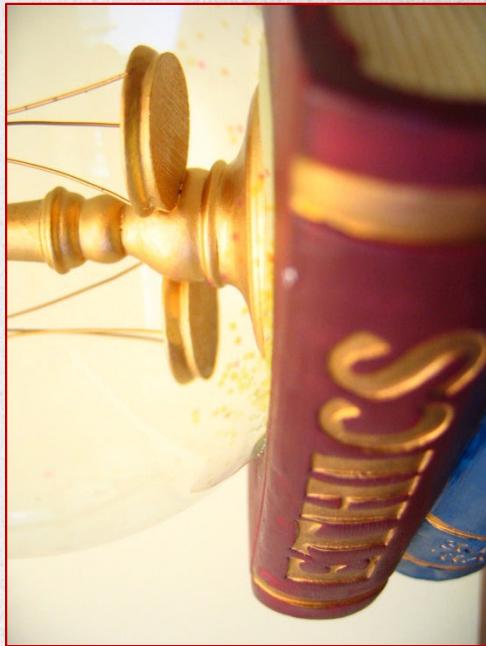


The Importance of Record Retention

- A breach of any of the record keeping requirements can result in prosecution and/or regulatory sanction.
- The Money Laundering Reporting Officer will be responsible to ensure that AML/CFT records are maintained properly and that Suspicious Activity Reports (SARs) are filed as required.



Ethics



What is Ethics?

- Ethics describes a system of moral principles, rules or standards that govern the conduct of members of a group.
- Ethics deals with right and wrong
 - and the moral consequences of what we do.
- Ethics also is indelibly linked with trust – and, in our industry, trust is everything



Ethics

- All staff must maintain the highest standards of honesty and ethical conduct in the performance of their duties at the Regulated Entity.
- Utilize the mechanism the BOD/Owner has put in place to facilitate reporting of fraudulent behavior or other deviations from the Regulated Entity's policies and procedures to senior management without fear of reprisal or alienation for making such a report.
- Maintain the confidentiality of certain information obtained during the course of employment with the Regulated Entity. This includes ensuring that confidential information regarding customers, employees, suppliers, and security operations is communicated to other Regulated Entity representatives on a "need to know" basis only and is used solely for the Regulated Entity's purposes and not as a basis for making a profit or furthering a private interest.



Ethics:

- Avoid conflicts of interest between personal and professional relationships.
- Provide full, fair, accurate, timely and understandable disclosures in reports and documents that the Regulated Entity files.
- Not engaging in any conduct or transaction that conflicts with the interests of the Regulated Entity.
- Comply with rules and regulations of local governments and other private and public regulatory agencies that affect the conduct of the Regulated Entity's business and the Regulated Entity's financial reporting.



Ethics:

- Act in good faith, responsibly and with due care, competence and diligence, without misrepresenting material facts or allowing the member's independent judgment to be subordinated.
- Respect the confidentiality of information acquired in the course of work, except when authorized or legally obligated to disclosure such information.
- Refrain from engaging in activities outside working hours, including other employment, that interfere with job performance or compromise the reputation of the Regulated Entity as a trusted business.



AML-CFT

Template Package

Preview

ComplianceAid

AML-CFT-PF Challenge



AML-CFT Program for Regulated Entities (\$1,000 US)
Policy and Procedures Template Package includes:

- AML/CTF Policy (10 pages)
- AML/CTF Procedures (40 pages)
- AML/CTF Risk Assessment Program (10 pages)
- AML/CTF Mitigating Tools (15)



► *ComplianceAid* offers the following products and services to assist Regulated Entities with their obligations under the AML-CFT laws:

- AML-CFT Policies and Procedures
 - In-House design, development, implementation or enhancement
 - Templates Package tailored to your industry to include 18 Mitigation Tools (e.g. KYC Checklist, Customer Risk Profile)
- Training – In-house or Online
 - Annual (Entire staff)
 - Board of Directors/ Senior Management
 - Specialized Front Office
 - Specialized Audit
 - Specialized Compliance Officer
- AML-CFT Risk Assessment
- AML-CFT Independent Audit
- Diagnostic, Advisory and Implementation Services on Foreign Account Tax Compliance Act (FATCA)

ComplianceAid

- ComplianceAid offers services in four languages:

- English
- Spanish
- Portuguese
- French

Questions ????

Contact us at:

contact@complianceaid.pro



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Thank You