

Financial Crime & AML

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Financial Crime Definition

Financial crime simply means a crime whereby a property is converted to one's benefit in an unlawful manner.

Financial crime is any kind of criminal conduct relating to money, financial services or markets, including any offence involving:



fraud or dishonesty; or misconduct in, or misuse of information relating to, a financial market; or handling the proceeds of crime; or the financing of terrorism.



Covers a wide range of criminal offences that are:

- generally international in nature
- closely connected to cybercrime

Financial Crime Risks & Mitigants



The risk posed by these financial crime areas can be mitigated through the following mechanisms:

- Governance and Oversight (e.g. MI)
- Policies and procedures
- FC Risk Assessments (including CRR)
- Customer due diligence process
- Screening
- Staffing, Training & Communication
- Three line of defence model
- Testing and Assurance
- Escalation
- ISRs/ SAR, etc.

Money Laundering Definition

- Money laundering is the process whereby criminals attempt to hide and disguise the true origin and ownership of the proceeds of their criminal activities, so that it appears to have originated from a legitimate source, thereby avoiding prosecution, conviction and confiscation of criminal funds
- Money Laundering consists of 3 stages:

Commission of crime

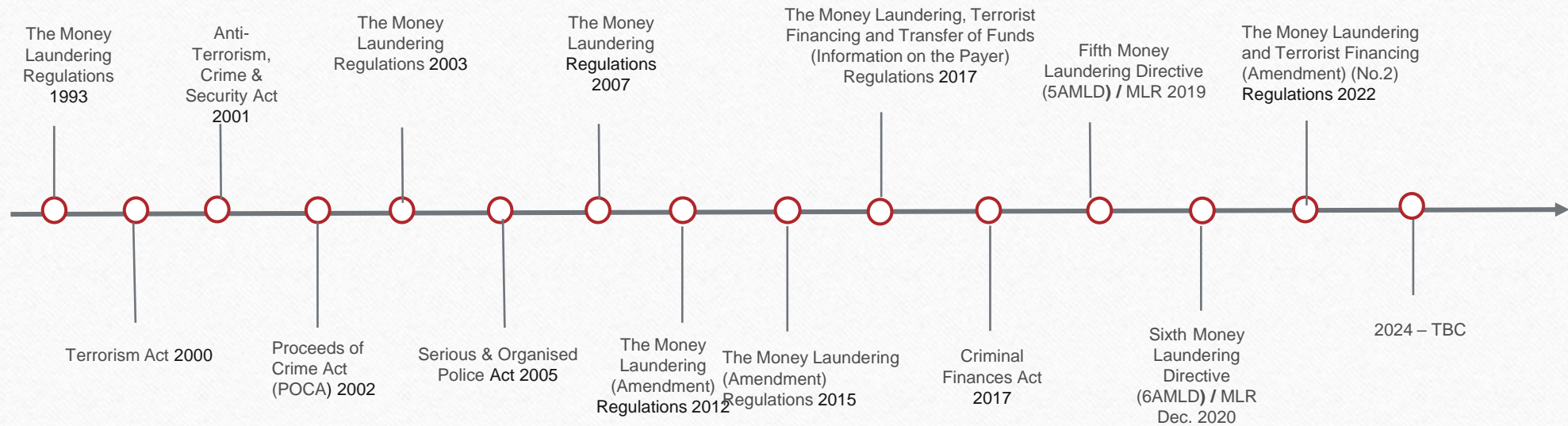
Proceeds of crime are placed into the financial system

Money is layered within the financial system

Money is now integrated and considered “clean”



Anti-Money Laundering Regulatory Landscape & Timeline – UK perspective



AML regulation is “risk based” and guidance is provided by a variety of bodies including:



Financial Crime Risks: Impact (1/2)



Money Laundering: The estimated amount of money laundered globally in one year is 2 - 5% of global GDP, or \$800 billion - \$2 trillion in current US dollars.



Bribery & corruption: The estimates show that the cost of corruption equals more than 5% of global GDP (US\$ 3.6 trillion, World Economic Forum) with over US\$ 1 trillion paid in bribes each year.



Fraud: The cost of fraud to the global economy is estimated at £3.89 trillion.



Data Security: The estimates show that the cost of cybercrime damages equals more than US\$6trillion a year.

Financial Crime Risks: Impact (2/2)



Sanctions & Asset freezes: OFSI announced in its Annual Review that as of October 2023, £22.7 billion worth of assets frozen in relation to Russia regime.



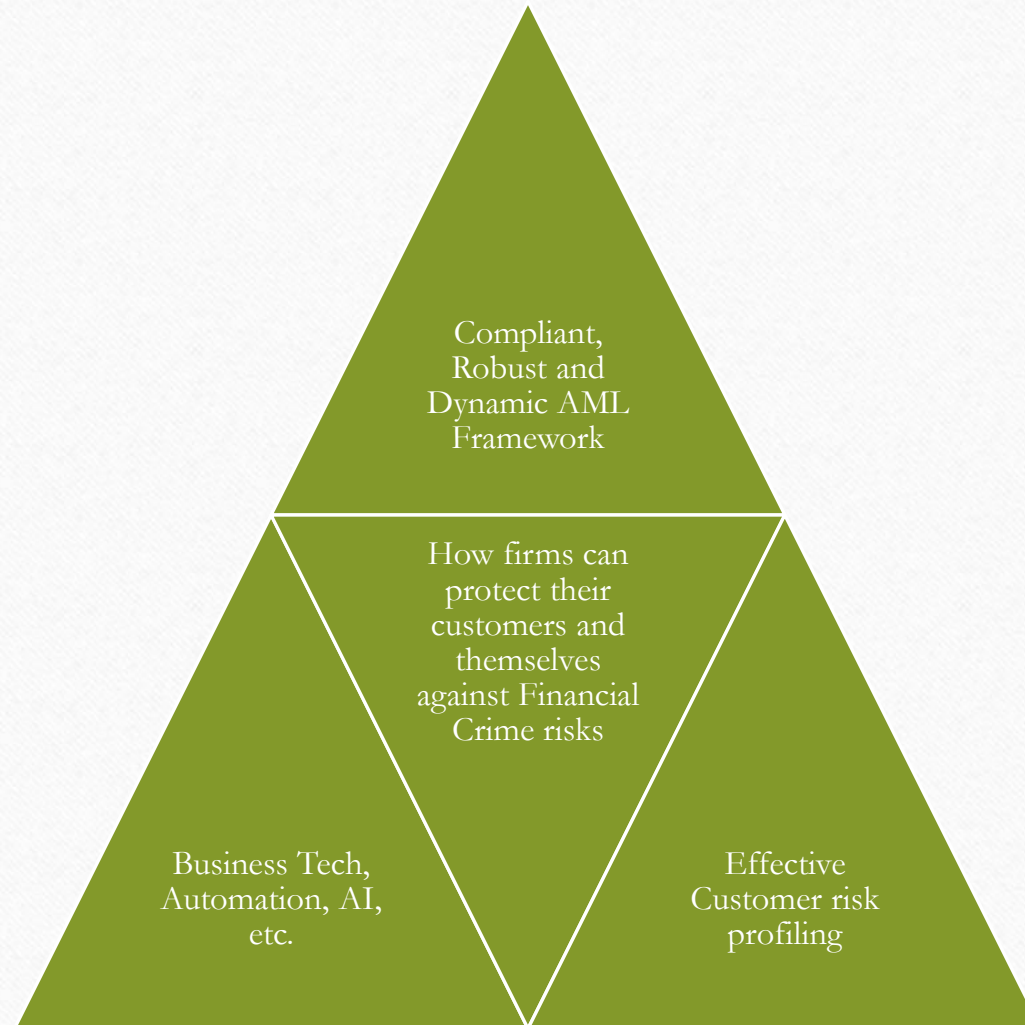
Tax Evasion: The estimates show that around £70 billion of revenue has been lost to tax evasion overall in the UK.



Market Abuse: The value of the financial penalties imposed between Jan to Dec. 2021 for the administrative sanctions reached EUR 54,273,686.97 while the financial penalties in relation to criminal infringements of MAR reached nearly EUR 5,340,879.

FC Prevention Strategies to protect customers and firms against new and emerging financial crime risks

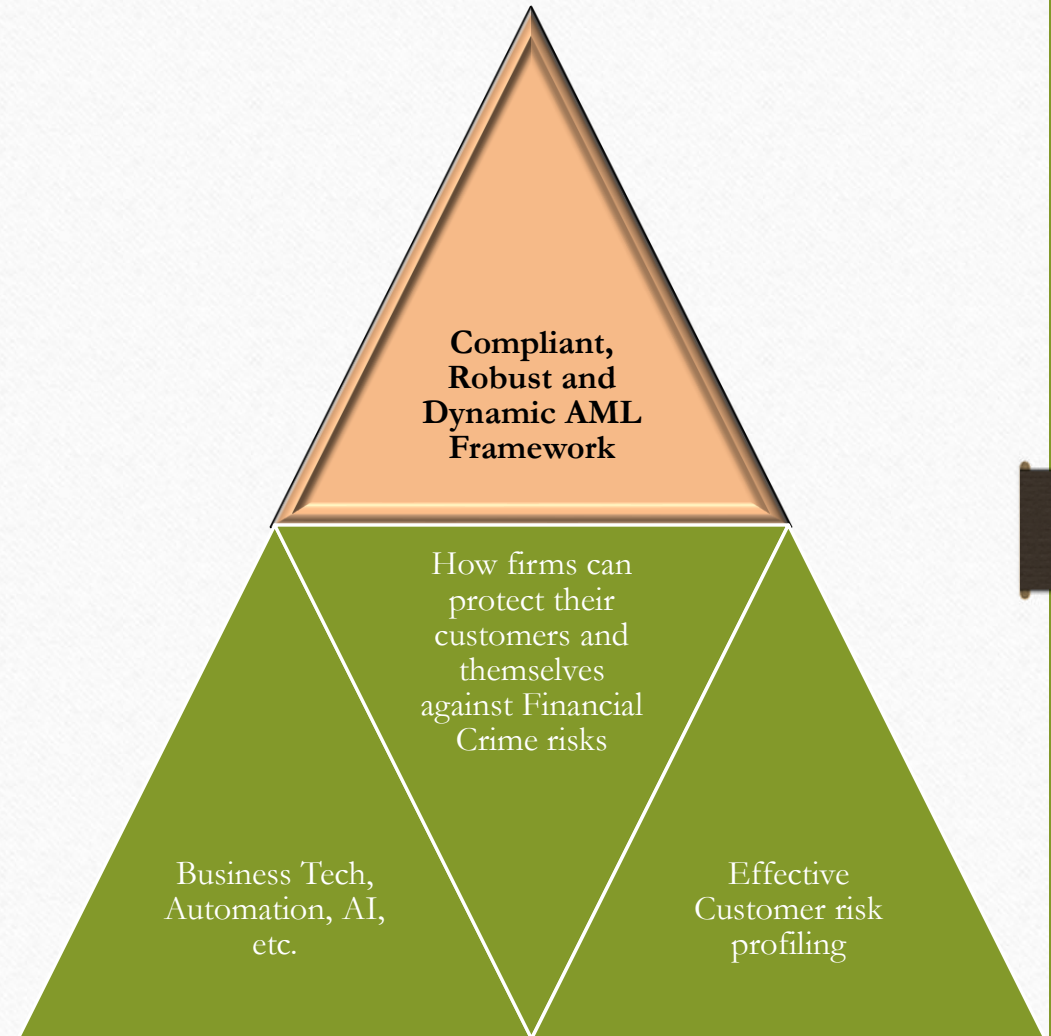
INDUSTRY INSIGHTS



Compliant, Robust and Dynamic AML Framework

According to the FCG, firms are expected to have certain types of controls in place as good practice. These include:

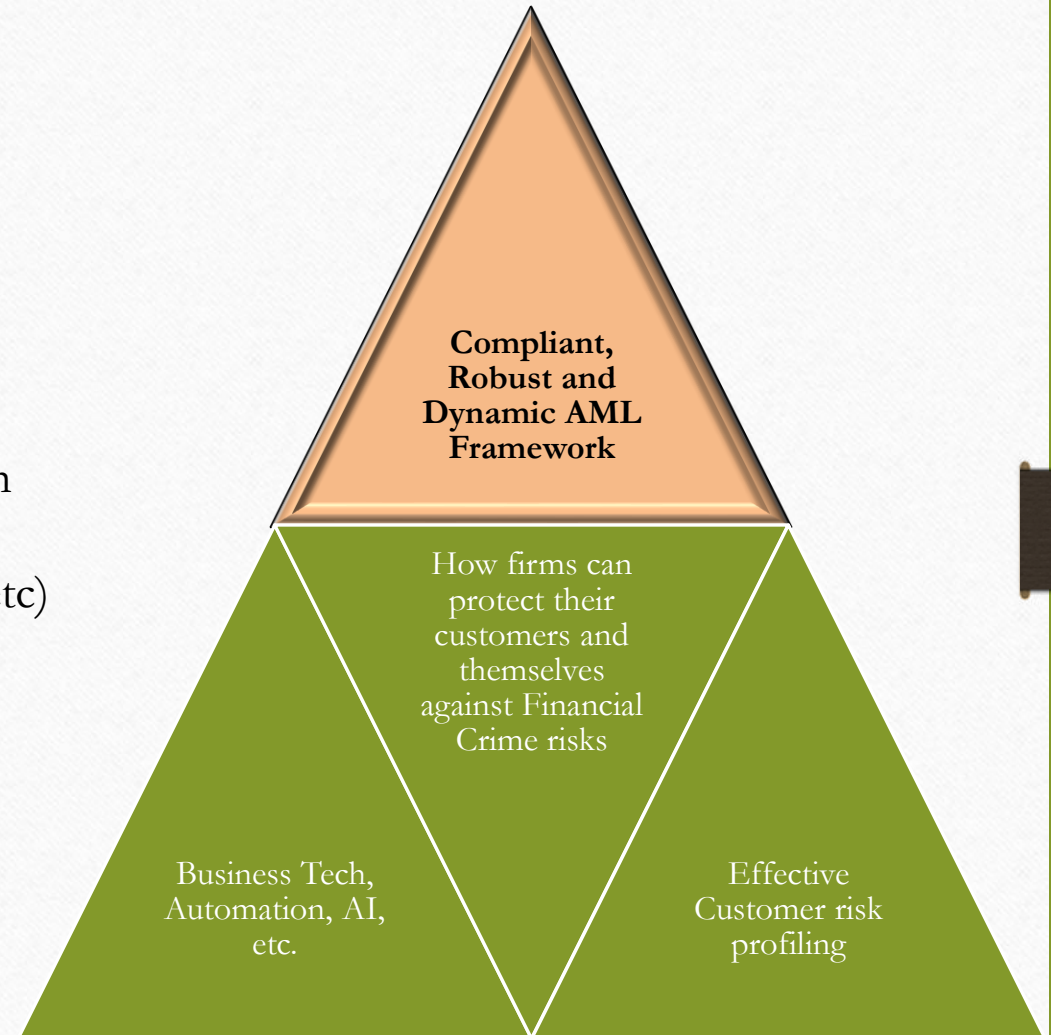
- AML Governance arrangements (including RAS, MI, P&P etc)
- Appointed MLRO
- Risk Assessments
- CDD process (onboarding, periodic reviews, EDDs)
- Suspicion reporting process
- Record-keeping
- Monitoring
- Others: Horizon Scanning, Dynamic/Adaptive P&P



Compliant, Robust and Dynamic AML Framework

According to the FCA's FCG, firms are expected to have certain types of controls in place as good practice. These include:

- AML Governance arrangements (including RAS, MI, P&P etc)
- Appointed MLRO
- FC Risk Assessments
- CDD process (onboarding, periodic reviews, EDDs)
- ISRs/SARs
- Record-keeping
- Staffing, Training & Collaboration
- Three lines of defence
- Continuous Monitoring and improvement

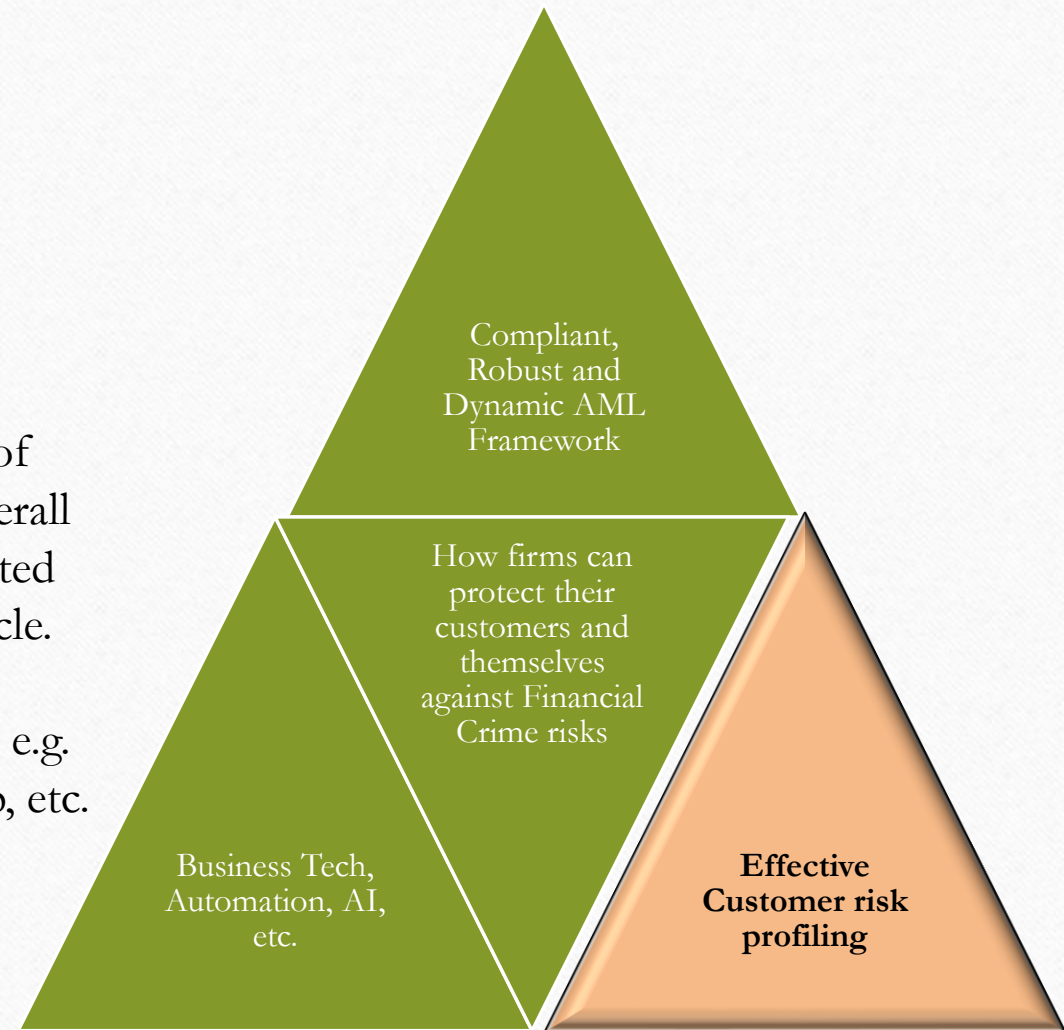


Customer Risk Assessments

Customers are expected to be profiled in line with the level of risk which they pose to the firm. The profiling drives the overall level of due diligence and ongoing monitoring to be conducted on each customer and their activities through-out the life-cycle.

Risk factors which are considered include:

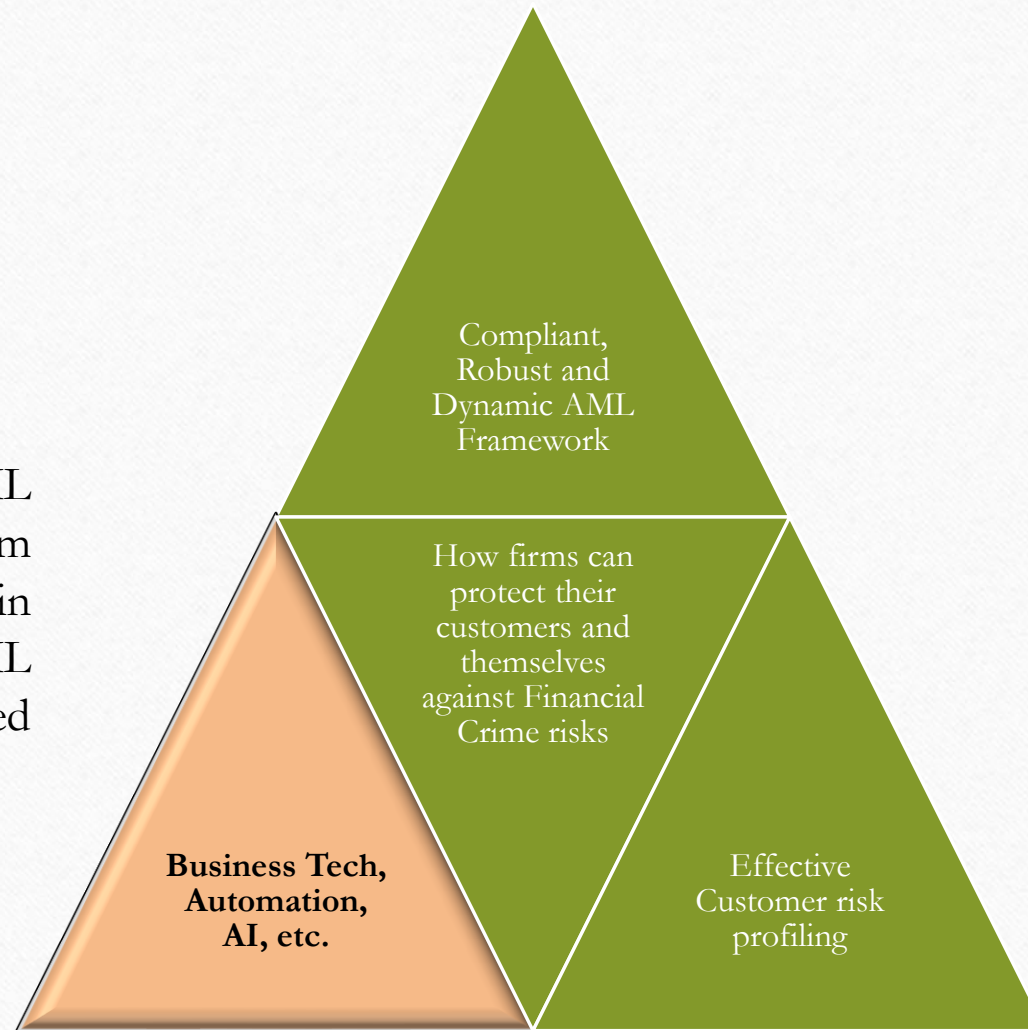
- Customers' individual circumstance i.e. type of customer e.g. PEP, large corporate, correspondent banking relationship, etc.
- Product
- Delivery channel
- Industry/ Business sector
- Jurisdiction i.e. high risk third country, etc.



Technology

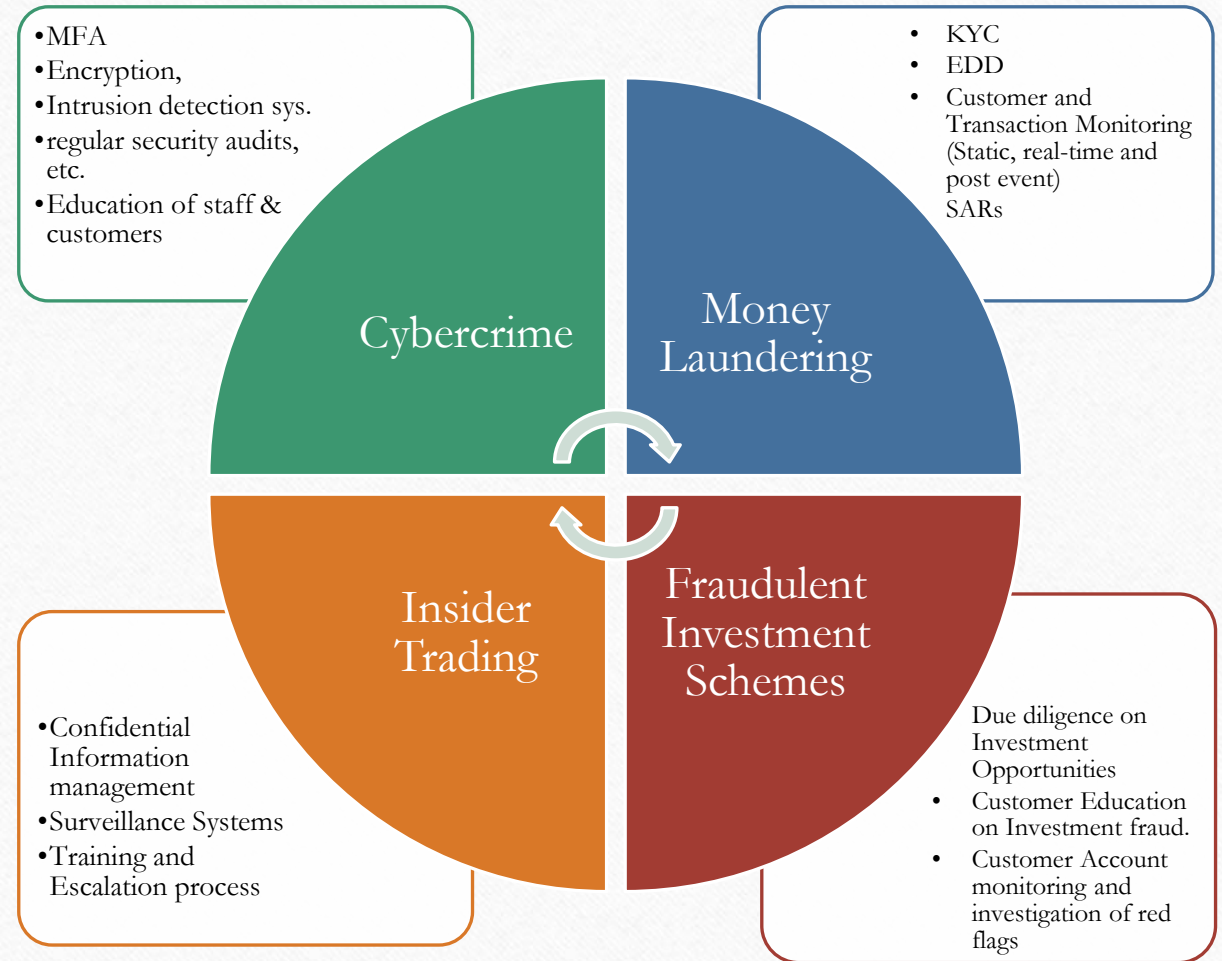
Depending on the size of the firm, certain AML controls will be more effective if they are system driven. Firms are therefore, expected to invest in business technology and automation of AML compliance controls. Areas which can be automated include:

- Transaction monitoring
- Sanctions screening
- Fraud prevention and detection
- Customer profiling
- Management Information, data analysis, etc.



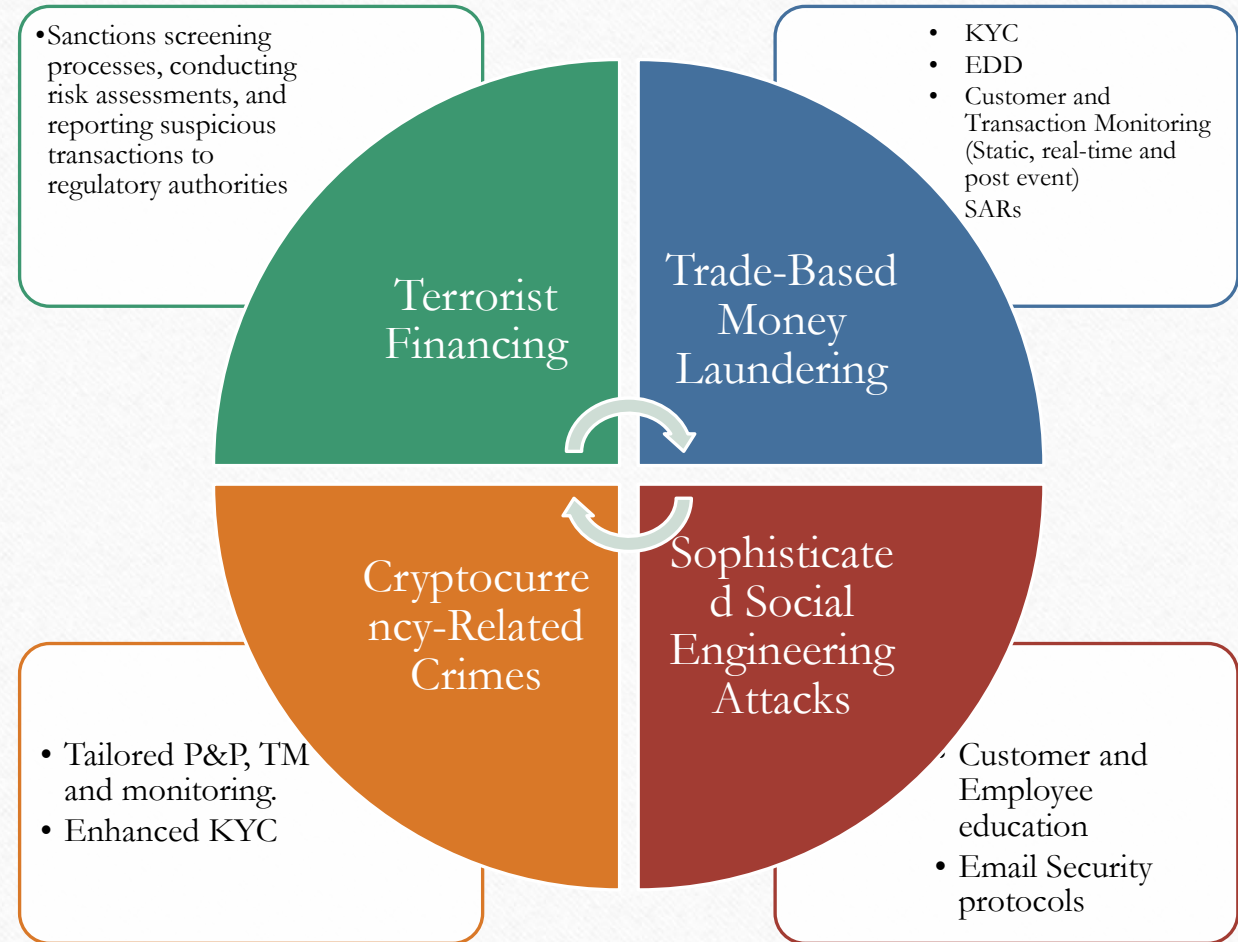
FC Prevention Strategies to protect customers and firms against new and emerging financial crime risks

INSIGHTS BASED ON TYPOLOGIES



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ANY QUESTION

