

Going Dutch: An Overview of Trends from the 6th ACAMS European Conference, 2010

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After a break in 2009, ACAMS was back in Europe. Amsterdam in early June made for a convenient and very sunny location. The Hilton Hotel made for a good venue and the attendees, vendors and organisers made for a great event (see <http://www.acams.org>).

The focus this year was change. While change in the regulations and change in money laundering and anti-money laundering tactics is a constant, this year also saw some change in both vendors and attendees.

In the past two years a number of new services and technology providers have entered - and some exited - the AML/CFT scene. Some new entrants were exhibiting at the event, others simply attending (full disclosure - my firm, KYCnet, is one of the new entrants). Likewise, largely as a result of the financial crisis, there has also been a great deal of change in the attendees with many old faces in attendance while at the same time a great number of eager first-timers. However, one thing that hasn't changed is the seriousness of the topic. AML/CTF remains a regulatory requirement, a business must and a moral imperative.

The ACAMS event had a soft launch on Sunday 6th with a day of detailed but practical workshops on AML Programme and Audit implementation presented by Thomas Grahn (AML Consulting), Carolyn Vick (international KYC), Fabrice Borsello (Western Union) and Pierre Gouarin (BNP Paribas).

The main event kicked-off on Monday 7th June with a "Keeping Current" review of recent G-20 AML/CTF activity clearly indicating that AML/CFT regulation is not going away. The recent (and expected) FATF public listing of non- less-compliant countries, including Greece, is raising the stakes for national regulators and their keener oversight is expected to further increase the burden on international financial services companies.

This session was followed by several presentations on bribery and Politically Exposed Persons (PEPs), the trend being that while PEPs are becoming more and more difficult to define and identify, the importance of so doing has not lessened. The importance of PEP-ing as an aid in combating bribery was well communicated by Ted Greenberg (TG Global). According to the World Bank, \$1 trillion in bribes is paid out each year. Ted helped put this in context: for every \$100 million that is misdirected, 250,000 households could have water connections, 50-100 million drug treatments for malaria could be funded, or 240 kilometres of two-lane roads paved.

Thomas Grahn had some practical proposals for dealing with the PEP complexity issue, a combination of risk-based short-cuts and enhanced self-certification. The former, a risk-based approach centered on the products or services being provided could largely mitigate some of the PEP efforts required. If a product has a very, very low AML/CTF risk, why bother to PEP in depth? The latter, a proposal that individuals be held criminally responsible for their self-certification or witnessing statements. Two very clever ideas!

In the morning's closing session, Jan Bornebusch (Deutsche Bank), in analysing lessons learned from recent enforcement actions, placed an emphasis on reporting transparency and efficiency in processes. In a world in which more and more AML work is being performed in geographically (and organisationally) split teams, he pointed to the need for defined processes that are optimised to support quality assurance, case sampling and review/approval gates, being of vital importance. His practical focus and reliance on process, transparency in reporting and Key Performance Indicators (KPIs) and Key Risk Indicators (KRIs) was a very welcome recognition that AML/CTF is not just a policy issue, but one that requires a lot of hard work in operations teams.

The first afternoon covered global sanctions and the overlap and difficulty in satisfying the various UN, US, EU and other national requirements. The message was that sanctions compliance is the non-negotiable aspect of AML/CFT, regardless of any risk-based approach. Sanctions are absolute. A defined, documented

and measured procedure is vital and with ever-changing global political events, fast and centrally managed response to such change is recommended.

The first day ended with some very practical tips on AML fraud auditing, balancing privacy and bank secrecy with the in depth investigations, record-keeping, profiling of clients and transactions that an auditor may require. As always, never easy to fulfil.

The second and final day started with a review of progress made on the implementation of the 3rd EU Directive on Money Laundering by Thomas Grahn and Denis O'Connor (Association of Financial Markets in Europe). Thomas reported that while nearly all of the EU nations have passed their corresponding legislation, there are still many issues with regard to the practical follow-through. The EU has launched a review this year and top areas of concern are expected to be the all too common lack of face-to-face identification and the frequently uncertain or incomplete UBO verification. Denis supported Thomas' focus on UBOs and went so far as to also call for strenuous efforts to also verify the "controllers" and not just the UBOs.

Then followed an interesting and thought provoking presentation on Counter-Terrorism Financing (CTF). Most AML professionals know that money-laundering and terrorist-financing are quite different. The size and frequency of transactions and the profile and complexity of the clients are quite dissimilar. Simon Dilloway (Lopham Consultancy) was quick to recognise this and accept that with the spread of the Internet and mobile-based payments and exchange services, the identification of "suspicious activity" was growing more and more difficult. He also agreed that there are no easy answers and the only approach is to accept the differences, preach awareness, and remain vigilant and to be more and more willing to submit Suspicious Activity Reports (SARs).

The final afternoon commenced with a number of presentations on the better implementation of risk-based approaches. Along with the product risk approach called for by Thomas Grahn on the first morning, geographical risk was also discussed as were a number of independent sources that can be used for geo-risk rating. Flip Verbeke (Norkom Technologies) spoke of the need for all of the aforementioned to be captured in an organised and efficient but flexible customer-centric IT solution. I cannot agree more!

The afternoon ended with sessions on cross-border payments and the associated monitoring processes. In a presentation on fine-tuning the monitoring process, Luigi Licari (RBS) made the valid point that reducing the number of transaction hits is not the goal in tuning, but rather, the goal is to improve the number of positive hits. As mentioned in other sessions, money launderers are continually changing their tactics and the onus remains on AML professionals to continually review their procedures, update their sources and remain fresh.

The overall impression was one of refinement and changing focus.

While the regulatory frameworks have yet to fully settle, the first great wave of AML/CTF effort would seem to have passed in which almost everyone now has an AML/CTF policy in place and many have implemented automated filtering and transaction monitoring processes. With the ongoing debate on tuning and information source refinement expected to continue, attention may be moving away from the legacy transactional and disparate automated checks that are in place, to a newer, more holistic or "customer-centric" view - and supporting that, much more of the efficiency in process and reporting as espoused by Flip Verbeek and Jan Bornebusch.

Patrick Ryan is one of the founders of KYCnet (www.KYCnet.com) and has recently published a whitepaper on KYC Process Maturity and Improvement (www.kycnet.com/resources/whitepapers.html)