



Sistema de cumplimiento para prevenir y detectar actividades sospechosas

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Money Laundering & Cybercrime Convention 2001

Building compliance
systems
to detect & prevent
suspicious activity

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By

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Essential Compliance Measures

- Obtain visible commitment from board and senior managers
- Assign responsibilities
- Make employees and managers accountable for their responsibilities
- Make compliance a performance evaluation criteria
- Know your customers

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- Assign compliance enforcement to senior managers
 - Establish compliance systems
 - Communicate systems to employees
 - Train all employees
 - Conduct independent audits

To Assign Responsibilities

- Draft/communicate clear policies and procedures
- Include clear measures of performance
- Ensure each employee/manager performs his/her job
- Require managers to insist on TQM by never correcting other persons errors

Know Your Customer

What is Suspicious?

- Often depends upon what you know of your customer
- What is normal for one may be suspicious for another
- Process begins when new accounts/loans are opened

Handling Sensitive Information

What is Sensitive Information


- Whatever the customer says it is
- Financial information
- Identity of beneficial owners
- Links to other accounts

Limit Access to Sensitive Information

- Keep in legal file
- Block/annotate computer with password
- Limit access to:
 - Bank counsel
 - Senior quality control officials
 - Senior compliance officials
 - Senior internal auditors
 - Others with need to know


Account Opening Procedures Personal Accounts

What price and value
can a financial
institution place on
protection?




Obtain & Maintain for Each Account Signatory


- Name
- Address
- Home & office telephone number
- Primary & secondary identification
 - Type of identification
 - Identification document number
 - Date issued
 - Expiration date

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- Date of birth
 - Credit inquiry data
 - Mother's maiden name or other code name
 - Occupation

For Maximum Security, Also Obtain

- Employer's name, address & telephone number
- Number of years employed
- Number of years lived at current address
- Previous address and number of years there

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- Past/present bank references, including:
 - Type of account
 - Account number
 - Name in which account maintained
 - Average balance for past three months
 - Opinion of bank officer re account performance
 - Relevant loan information
 - Copies of three month's bank statements

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- Check, verify and record all references
 - Link all accounts related to each signatory
 - Complete an account profile


Account Profiles Should Include


- Amount of initial deposit
- Nature of initial deposit, e.g., currency, check, other
- Source of funds
- Estimated average balance
- Type of typical deposit, e.g., currency, wires, payroll checks, customer checks, etc.
- Percent of total deposits represented by cash, checks, other

Additional Procedures for Commercial Accounts

Obtain & Maintain for Each Signatory & Significant Officer

- Items listed for personal accounts
- Full identification for each beneficial owner
- Account linking information
- Tax or other form of identification number
- List of officers' names & titles
- Nature of business
- Date business established

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- Withdrawal limits for each signatory
 - Annual sales for three years
 - List of products/services
 - Number of employees
 - Names, phone numbers & addresses of attorney and auditor
 - Names of large customers & vendors


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- Estimated activity & amounts of wire transfers
 - Estimated activity & amounts of deposits & withdrawals
 - Copy of current financial statements
 - Visits to customer's place of business to verify reasonableness of information obtained

Quality Control of Account Opening Procedures

- Verify application is complete
- Verify all documents are obtained
- Verify all references have been checked & documented
- Reject incomplete/incorrect applications
- Errors must be corrected by person making them
- Repeated errors indicate training needed


Documents Quality Control Prepares

- New account report
- Funds received from new accounts report
- Closed account report
- Rolled over account report
- Reports cross-reference linked accounts
 - Sort by account name and by officer
 - Review for suspicious or unusual transactions

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- Establish minimum information/documentation to open account
 - QC tracks missing information/documentation on computer
 - QC reviews missing data to ensure KYC and protect institution from risks associated with missing data


Contemporaneous Review of Transactions


Suggested
methodology to
detect & prevent
suspicious activity




Overview


- Monitor high risk transactions
- Most accounts are routine & not suspicious
- Devise screening system that isolates transactions and accounts of highest risk
- Establish transaction thresholds for specific types of transactions e.g.
 - Wires
 - Bank Checks
 - Currency, etc.

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- Establish thresholds for categories of customers including:
 - Personal accounts
 - Corporate accounts
 - Accounts having assets/sales over specified amounts

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- Identify types of businesses and customers that pose the most risk
 - Identify geographic areas that pose the most risk
 - Identify types of transactions that pose the most risk


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- Combine all reviewed transactions for analysis
 - Wire from one a/c buys bank check from another and transfers funds to third account and withdraws currency
 - Transaction in any single account may not be suspicious
 - Combinations of transactions controlled by same person or related persons may be suspicious


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- Review existing bank reports for suspicious activity
 - Kiting reports
 - Large transaction reports
 - Large balance reports
 - Overdraft reports
 - Conduct rotating review of high risk statements

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- Give responsibility for monitoring to trained, experienced compliance officer
 - Compliance officer reports directly to senior compliance official
 - Regional compliance officers report to senior compliance official
 - Senior compliance official should be responsible for all anti-money laundering within the bank
 - Senior compliance official reports to CEO and Board

Contemporaneous Review of Currency Transactions

- Monitor currency transactions wherever they occur and whatever their nature
- Set thresholds over which identification required
- Create internal large currency report
 - Ensure report accuracy
 - Employees correct their own errors

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- Capture, review & summarize transactions over thresholds in large currency report
 - Establish moving analysis of transactions. Sort by:
 - Date
 - Amount
 - Customer name/account number
 - Review for structuring

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- Combine currency analysis with other analyses
 - Document exceptions found
 - Investigate exceptions
 - Explain exceptions
 - Report suspicious exceptions to appropriate senior management officials


Contemporaneous Review of Official Checks


- Review all checks for suspicious activity
- Include both checks issued and checks negotiated
- Sell checks only to customers
- Fund checks only by withdrawal from customer's account
- Set thresholds for identification





- Create official check application

- Transaction date
- Transaction amount
- Check number
- Name of purchaser
- Account number of purchaser
- Name of payee

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- Review all purchases over established thresholds
 - Capture, review and summarize transactions
 - Create moving analysis sorted by
 - Date
 - Check number
 - Amount
 - Name of purchaser
 - Name of payee


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- Review and summarize reports
 - Combine report data with data from other transactions for consolidated review
 - Document, investigate, explain and report all exceptions


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- Negotiate official checks only for customers
 - Refuse third party checks
 - Set negotiation thresholds for identification
 - Review checks negotiated over thresholds
 - Capture, review and summarize transactions over thresholds


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- Create moving analysis of checks negotiated sorted by:
 - Date
 - Name of issuing bank
 - Check number
 - Check amount
 - Name of payee
 - Combine report with other reports for combined analysis
 - Document, investigate, explain and report exceptions


Contemporaneous Review of Wire Transfers

- Review wires sent
- Issue wires only to customers
- Fund wires only from customer accounts
- Set thresholds for identification

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- Create wire transfer application including
 - Date
 - Amount
 - Wire transfer number
 - Name, address, account number, and identification of purchaser
 - Name, address, bank name, account number and telephone number of beneficiary

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- Review wire transfer purchases over established thresholds
 - Capture, review and summarize in a report
 - Create a moving average report sorted by
 - Date
 - Wire transfer amount
 - Name of purchaser
 - Name of recipient
 - Combine with other reports
 - Document, investigate, explain and report exceptions

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- Accept wire transfers to customers only
 - Pay incoming wires by deposit or official check only
 - Set thresholds for disbursement by check
 - Review all wires received over threshold
 - Capture, review and summarize in a report

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- Create moving analysis sorted by
 - Date
 - Amount of wire
 - Name of sender
 - Name of recipient
 - Account number of recipient
 - Sending bank
 - Combine report with others and analyze

Cash Letters: The Issues

- Banks nested in correspondent accounts
- Receipt of items purchased in a structured manner
- Mexican bank drafts
- Drafts from multiple banks through the same account
- Colombian Black Market Peso Exchange
- Casas de Cambio & Funds Transmitters

Due Diligence for Cash Letters


- Consider rejecting correspondent accounts from brass plate banks
- Do not permit nested accounts through correspondents
- Establish correspondent transactions profiles
 - Countries to which items will be sent or from which they will be received
 - Expected volumes from each country
 - Frequency of transactions
 - Nature of items to be received


Establish Review Procedures

- Suspicious items include
 - Mexican bank drafts
 - Factored third party checks
 - U.S. Postal Money Orders
 - Other money orders
 - Structured U.S. bank checks
 - Unusual numbers of traveler's checks
- Document, investigate and report exceptions

Contemporaneous Review of Loan Transactions


- Obtain appropriate/complete loan information
- Verify all references
- Control/monitor disposition of loan proceeds
- Review existing bank reports for suspicious activity, e.g.
 - Aging schedules
 - Payment due schedules
 - Payoff schedules


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- Review nature/amount of instruments used to make loan payments
 - Consolidate and review all loan information for related entities
 - Document/enforce loan limits
 - Require documented managerial review of loans requested, granted, and loan performance


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- Carefully document all loan committee procedures
 - Ensure loan committee receives and reviews all loans under its jurisdiction

Contemporaneous Review of Private Banking

- Require complete account application
- Accept only customers referred by officer, existing customer or other reliable source
- Limit access to held mail
 - Two officers unseal, inventory and reseal mail
 - Log mail in and out
 - Client signs when opening mail
 - Only client can request destruction of contents


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- Limit access to account information
 - Log files in/out
 - File custodian compares documents to “documents enclosed check list”
 - Custodian signs inventory
 - Requester signs logs
 - Only QC can add documents to file

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- Customers confirm in writing all telephone transfers
 - Senior management must approve transfers to third parties
 - Establish threshold reports for each account and types of transactions

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- Notify appropriate account officer of:
 - Transactions over thresholds
 - Overdrafts
 - Account closings
 - Linked accounts and new related accounts
 - Document reasons for refusing accounts
 - Monitor new account activity of each account officer for unusual trends or activity

Compliance Staff Duties


Responsible for day
to compliance
activities of managers
and employees





Compliance is Everyone's Job


- Compliance staff reports to senior official
 - Senior official assigned ultimate responsibility for program's effectiveness
- Compliance captures, summarizes, reviews and investigates transactions analyses
- Ensures compliance system is effectively working at all levels

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- Conducts regular branch visits
 - Vouches records to documents of original entry
 - Reviews new account applications
 - Verifies inventories
 - Reviews currency logs
 - Tests selected teller tapes to various logs
 - Documents reviews
 - Monitors compliance training as necessary

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- Ensures compliance issues included in managerial meetings as necessary
 - Prepares monthly compliance activity reports for CEO
 - Establishes internal procedures for internal reporting and investigation of questioned transactions
 - Participates in compliance committee meetings


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- Devises a system to flag questioned accounts, accounts subject to subpoenas, or accounts that put institution at risk
 - Conducts or coordinates internal investigations
 - Files appropriate reports with government officials

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- Responds to or coordinates response to government requests
 - Establishes liaison with bank counsel
 - Conducts document search
 - Reviews documents for suspicious activity
 - Submits documents to government
 - Retains complete duplicate set in bank files
 - Coordinates future contact with government officials

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- Ensures compliance program subjected to periodic independent audit
 - Follows up audit exceptions
 - Recommends appropriate modifications of compliance system
 - Documents the compliance program
 - Annotates and files compliance documents reviewed
 - Maintains compliance manual
 - Maintains compliance exception files
 - Maintains internal investigation files, government request files & suspicious activity files


Other Compliance Procedures


- Compliance system should ensure compliance at all levels
- Contemporaneous reviews of compliance components reveals weaknesses
- Requiring errors to be corrected by employees and reporting summaries of errors informs management of location/nature of weaknesses


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- Institution must enforce strict sanctions for violations
 - Circulate compliance issues/documentation to appropriate officers and employees
 - Develop, maintain, and follow a comprehensive compliance staff manual
 - Contains detailed procedures
 - Allows new staff to quickly assume duties
 - Compliance maintains complete history of compliance manual and updates


Conclusion

Money laundering
detection &
prevention is a safety
and soundness issue



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- Money laundering detection and prevention is the job of every employee
 - Regardless of position
 - Regardless of rank
 - Regardless of social standing
 - Regardless of salary
 - Commitment begins with the board and is shared by senior management

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- Compliance is a performance criteria
 - The institution must quickly address and deal with violations of policies and procedures
 - Demonstrate corporate commitment with strong well-written and enforced procedures
 - Train all employees
 - Subject the system to periodic audit

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- Money laundering detection and prevention is not necessarily inexpensive
 - But it is not rocket science
 - And the alternatives are not acceptable