



Major Innovations in Anti-Money Laundering Programs

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A photograph of a wooden desk with a laptop, a white mug of coffee, and a rolled-up document with a pen. The image has a warm, orange-red color overlay.

Challenges for AML Programs in US and Worldwide

Financial and Non-Financial Institutions

Basic Anti-Money Laundering (AML) Program Requirements

According to US Regulators, the Federal Deposit Insurance Corporation, the Federal Reserve System, the National Credit Administration and the Office of the Comptroller of the Currency (OCC), a BSA/AML compliance program must:

1. be reasonably designated to assure and monitor the institution's compliance with the requirements of AML and its implementing regulations; and
2. have, at minimum, the following components or pillars:
 - ✓ A system of internal controls to assure ongoing compliance with the AML regulations;
 - ✓ An independent testing for BSA/AML compliance;
 - ✓ A designated individual responsible for coordinating and monitoring AML compliance; and
 - ✓ Training for appropriate personnel

A BSA/AML compliance program must include a Customer Identification Program (CIP) with risk-based procedures to ensure the institution knows the true identity of its customers.

Challenges to Financial and Non-financial Institutions in US and LATAM on AML Programs

Financial and non-financial institutions have faced more pressure lately to do better at anti-money laundering compliance.

1. First, regulators in US and Europe are promising more enforcement against AML failures, and they are imposing hefty fines to prove that point.
2. Second, regulations around enhanced customer due diligence are rising in regards to new requirements for identifying the true beneficial owners of business opening accounts.
3. Third, despite all those new challenges, the compliance functions at financial and non-financial institutions still face resources limitations. Yes, banks and organizations which manages financial products have been ramping up compliance budgets and staff to monitor suspicious activity, but the long-term sustainability of increased expenses causes challenges.

Moreover, the rate of “false positives” from AML compliance remains extremely high, to the point that regulators are concerned about the quality of work no matter what compliance budgets may be.

What AML Innovation should do?

- **Automate manual tasks.** AML compliance analysts spend significant time confirming a party's identity, seeking adverse media reports, and more. Better technology should automate those repetitive tasks to let compliance analysts focus on making judgments rather than on performing work.
- **Reduce the rate of false positives.** Artificial intelligence or advanced analytics can help. Better use of such technology can make a firm more confident in its assessment of suspicious activity and reduce the chance of incorrect judgments.
- **Alleviate burdens around testing.** Independent testing of a bank's AML compliance program can be expensive and time consuming. Better AML technology can help gather evidence AML auditors will want to see, accelerate the testing itself, and assist with any necessary remediation after the testing.
- **Improve the analysis of risks.** "Better data analytics" has become a consistent statement in the compliance world. Data analytics allows compliance staff to study transactions in bulk and then see what policy or procedure changes might be necessary to reduce risks.

Common US Federal Examiner's Recommendations

- 1. Conduct Ongoing Periodic Reviews**
 - a. Policies & Procedures – At least annually
 - b. Scenarios – Money laundering typologies covered.
 - c. Parameters & Thresholds

- 2. Avoid Regulatory Violations - Ongoing Regulatory Updates**

- 3. Maintain AML Policies Updated and Approved by Board of Directors**

- 4. Comply with AML Annual Mandatory Trainings**
 - a. Online trainings
 - b. Documented training (Signing sheets, training materials, regulatory updates)
 - c. Training log. Maintain an ongoing training log of all type of training received.

- 5. Provide Supporting Documentation of all type of changes, updates and approvals through detailed Meeting Minutes on Quarterly Board of Directors Meetings.**

Major Innovations in AML Programs in USA & Worldwide

Major innovations on AML compliance programs requires also to maintain an ongoing monitoring review process of other areas, such as:

1. Level of risk associated to the bank's products & services
 - a. Inherent Risk
 - b. Control Environment
 - c. Residual Risk
2. AML Case Review & Case Investigation (Narrative)
3. Manager Control Assessment (MCA)/ Self-Assessment and Quality Assurance (QA)
4. Data Suitability

Final considerations for financial or non-financial institution

If your company is building up or revamping an AML/CTF Compliance program, there are important things to take into consideration:

1. Define leadership and the organizational structure of the area.
2. Assess the level of risk associated to the financial products & services
 - a. Inherent risk
 - b. Control environment
 - c. Residual Risk
3. Develop the methodology of your enterprise risk management process covering of:
 - a. Identification
 - b. Measurement
 - c. Risk Appetite
 - d. Treatment
 - e. Monitoring
 - f. Reporting

Final considerations for financial or non-financial institution

4. Once you have your risk-based analysis and a list of all the potential risks associated with your institution, you can ensure all-encompassing control framework is developed.
5. Design the program following the regulatory requirements applicable in your country and in the absence of regulation, use as a guideline the US and EU regulations.
6. Maintain an ongoing monitoring process and perhaps an internal audit review on a regular basis to ensure your control environment which includes policies, procedures, and processes are being followed.

KEEP IN MIND THAT REGULATORS ACTUALLY READ WHAT YOU WRITE, SO IF YOUR POLICY STATES THAT YOUR BOARD OF DIRECTORS REVIEW AND APPROVE ON A YEAR BASIS ALL POLICIES, MAKE SURE YOU HAVE THAT PROCESS WELL DOCUMENTED.

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You can't mitigate a risk if you
don't know it's there

Werner Ruben Hospinal

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While controls help to mitigate risk, a truly effective compliance program will incorporate a strong values based system to drive ethical behaviors

Juliana Jaccoud Molina

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Featured quote

The starting point for all compliance program is to identify what areas have the highest potential for violations of law”

Werner Ruben Hospinal

Questions?



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