

AML Enforcement Trends

Anti-money laundering, terrorist financing and proliferation financing remain a key priority for regulators across the globe, and there have been a number of recent enforcement cases against banks and other financial services firms. Firms and individuals may also face criminal prosecution where financial crime compliance failures result in a breach of the law.

Given the legal, regulatory and reputational risks associated with financial crime failures, employees must understand the common themes that arise across enforcement cases, and what can be done to help prevent them occurring at your firm.

#1

Understand the risks

Many of the enforcement actions have highlighted inadequacies in relation to business and customer risk assessments. This includes failing to understand the risks associated with:

- High-risk customers, such as Politically Exposed Persons (PEPs)
- High-risk jurisdictions
- Complex business structures

Remember – **ongoing monitoring** of financial crime risk (and customer information) should be conducted throughout the customer relationship.

#2

Know your customer

Another recurring theme in enforcement cases relates to ineffective Customer Due Diligence.

Firms must obtain sufficient information to enable them to **identify and manage the risks associated with customer relationships and transactions.**

Information provided by customers must be scrutinised and, where appropriate, challenged to ensure that the firm has a proper understanding of the nature and purpose of the business relationship.

#3

Remember your responsibilities

You must **report suspicions** in relation to money laundering or terrorist financing in accordance with your procedures. It is also a criminal offence to tip off the suspect.

If you identify issues or weaknesses in your firm's financial crime systems or controls, you must escalate them promptly.

Senior management must be able to explain the firm's key money laundering risks, and how they are mitigated. They must also demonstrate active support for the firm's compliance culture.

