



# Anti-Money Laundering and Counter Terrorist Financing Presentation



# What is Money Laundering?

The United Nations defines it as:

"a process which disguises illegal profits without compromising the criminals who wish to benefit from the proceeds. It is a dynamic three-stage process that requires: **first, moving the funds from direct association with the crime**; **second, disguising the trail to foil pursuit**; and **third, making the money available to the criminal once again with the occupational and geographic origins hidden from view.**"

The first stage is placement

The second stage is layering

The third stage is integration

# What is Terrorist Financing?

The Financial Action Task Force defines it as:

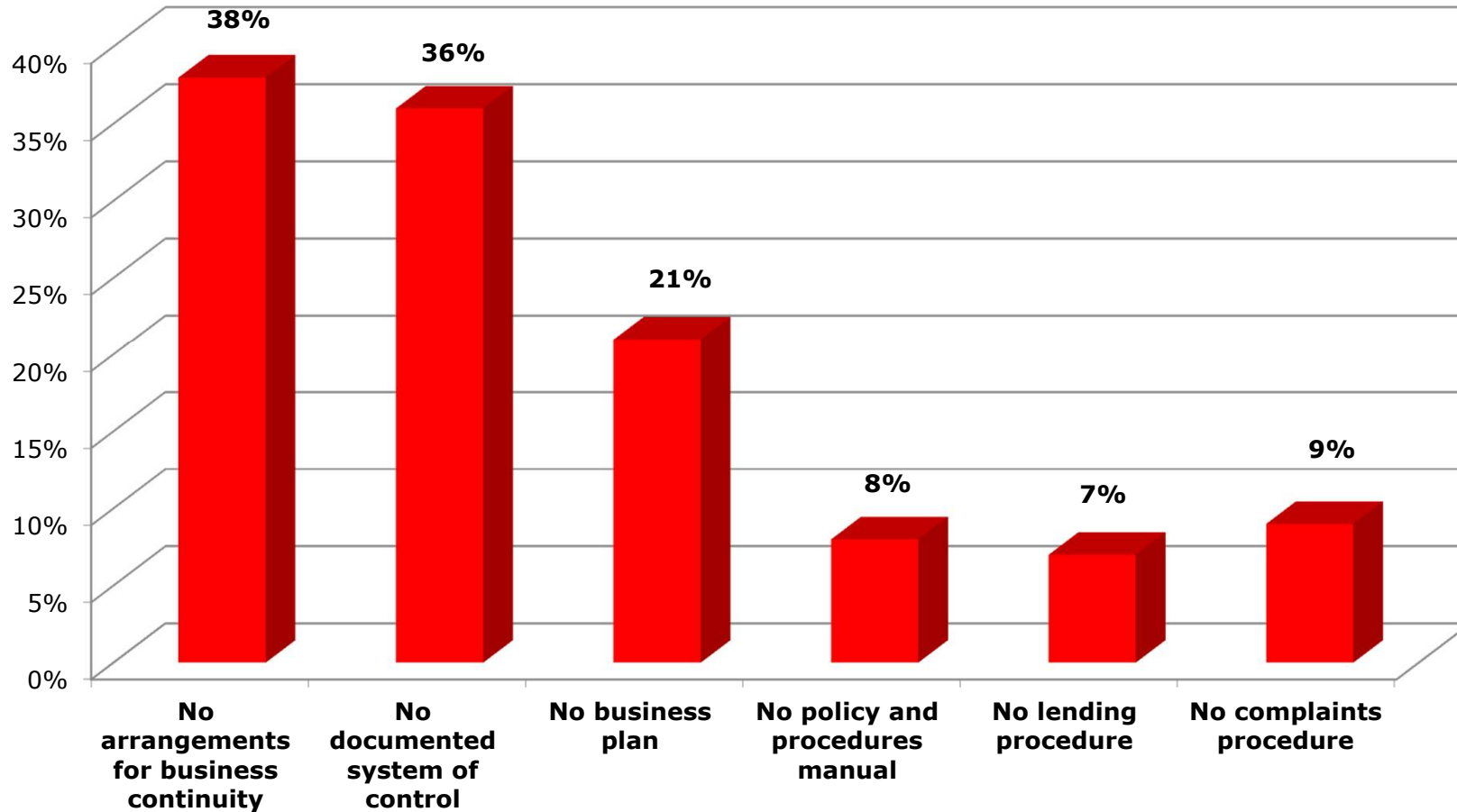
“Terrorist financing is the financing of terrorist acts, and of terrorists and terrorist organisations.”

Terrorists need money to carry out their atrocities, money for weapons, for supplies to make explosives, for travel. This money trail will provide valuable information to investigators and often allow them to identify those involved in the terrorist attacks. More importantly, by depriving terrorists and terrorist organisations of access to funding and the financial system, **terrorist attacks could be prevented.**

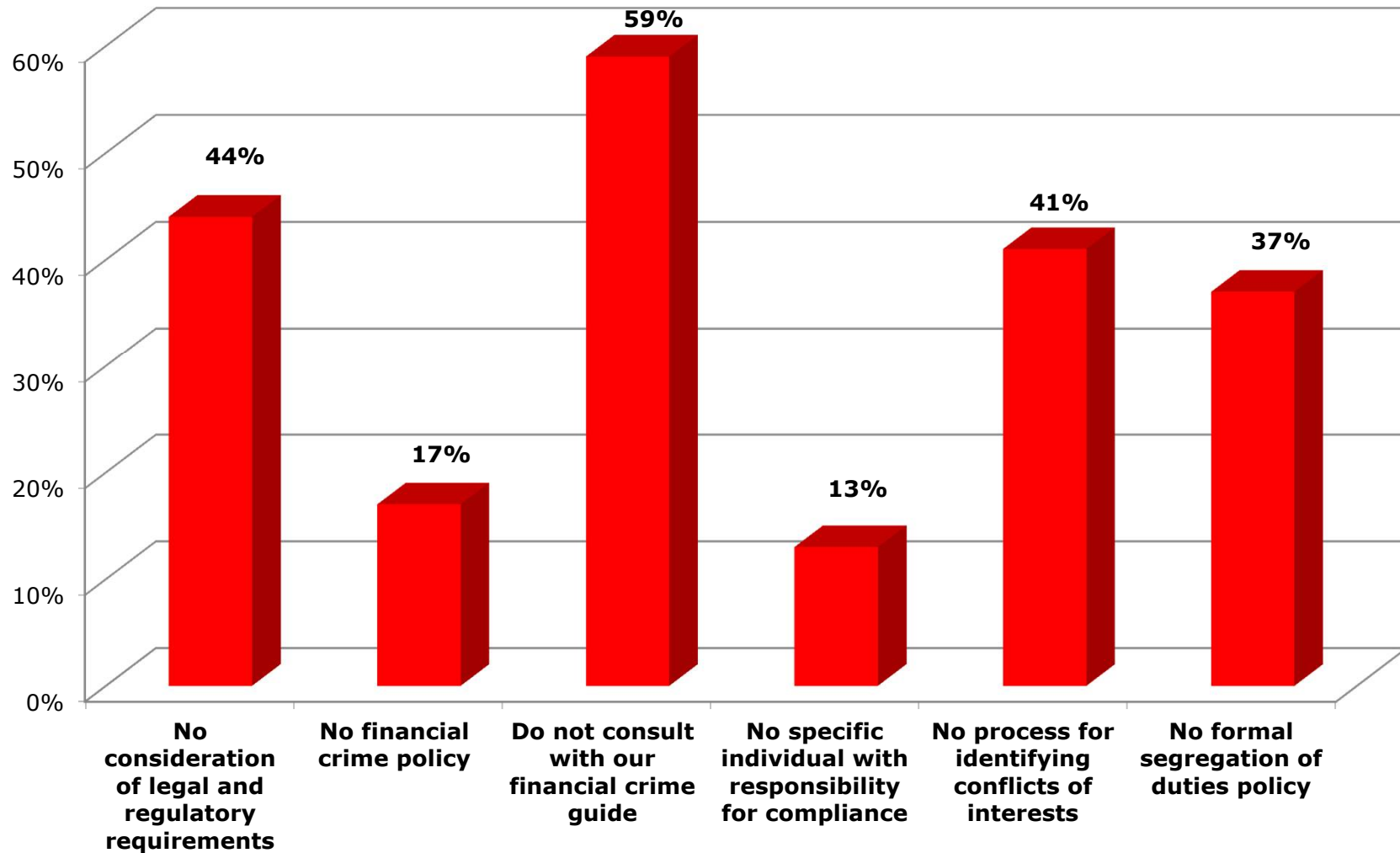
# Outcomes we seek – 2016/17 FCA Business Plan

- The UK financial system is a hostile sector for money launderers, using intelligence effectively to take early action that prevents money laundering
- The unintended consequences of Anti-Money Laundering regulation are minimised
- Firms' AML processes do not exclude people unfairly or unreasonably from using financial services. We will explore new ways, including technology, of solving this issue
- AML requirements are proportionate and operate efficiently.

# We found the following: Is this you?



# And what about these?



# Why is Having Robust Anti-Money Laundering Systems and Controls Important?

- Risks to Members
- Risks to Credit Unions
- Risks to Society



# Have you thought about:

## Risk Assessment ?

- Products and Services
- Systems and Controls
- Regularly Updated



## Policies and Procedures ?

- Manage Identified Risks



# Further areas to consider

## Governance

- Role of Senior Management
- Structure and Reporting
- Staff Awareness

Governance & Leadership



# High level findings from Supervision work

- The link between a strong 'tone from the top' and an effective, embedded financial crime culture in a firm
- Value of good MI



# Customer due diligence is key

- Know where your risks are
- Know Your Customer (KYC) – effective customer due diligence
- Monitor activity – risk based and event driven

# What Can Go Right?

- Access to financial services
- Internal SAR submissions

*Member Benefits*



# What Could Go Wrong?

- MLRO duties
- Inadequate review of AML policies and procedures
- No risk ratings for members / no enhanced due diligence (EDD) procedures for higher-risk members
- Appropriateness of transaction alert thresholds
- Potential smurfing by members
- Lack of AML & financial crime management information

## Questions to consider

Does the credit union have documented AML policies and procedures?

When did the credit union last review its AML policies and procedures?

How do you know that your staff and MLRO understand and follow them?

What are the key AML risks to your credit union, and how are you mitigating against these risks?

At what value do transactions set off alerts? Are these at the right level? Are they the same for all members? If so, is this appropriate?

Do you carry out additional checks on PEPs and other higher-risk members?

Does the credit union monitor the MLRO's work?

Is there a clear audit trail when a suspicious activity has been reported? Are follow up actions required subsequently undertaken?

Is there a succession plan in place for if/when the MLRO and other key staff leave?

# Useful links

Credit Unions Sourcebook (CREDS): <http://fshandbook.info/FS/html/FCA/CREDS>

Financial Crime: A Guide for Firms Part 1:

[https://www.handbook.fca.org.uk/handbook/document/FC1\\_FCA\\_20150427.pdf](https://www.handbook.fca.org.uk/handbook/document/FC1_FCA_20150427.pdf)

Financial Crime: A Guide for Firms Part 2:

[https://www.handbook.fca.org.uk/handbook/document/FC2\\_FCA\\_20150427.pdf](https://www.handbook.fca.org.uk/handbook/document/FC2_FCA_20150427.pdf)

Joint Money Laundering Steering Group Guidance, Parts I and II (Part II has a section devoted to credit unions): <http://www.jmlsg.org.uk/industry-guidance/article/jmlsg-guidance-current>

Wolfsberg Group Anti-Money Laundering Questionnaire:

<http://www.wolfsberg-principles.com/pdf/home/Wolfsberg-Anti-Money-Laundering-Questionnaire-2014.pdf>

Recruiting Key Staff and Managing the Risk of Leaving: Credit Unions:

<https://www.fca.org.uk/firms/credit-unions/key-staff>

Questions ?