

The Anti-Money Laundering Compliance Health Check provides a cost-effective, focused review of an organization's current AML-compliance policies against industry best practice.



- **Address major areas of concern in AML compliance**
- **Determine best-practice AML software configuration** using iWay's AML solutions framework
- **Examine AML system support environment**
- **Develop high-level definition of new system requirements** to support best-practice policies

Anti-Money Laundering Compliance Health Check



Financial Institutions Face New Compliance Challenges

Recent years have seen a series of high-profile money-laundering cases, such as those at Bank of New York, Abacha, and Montesinos. These have led to unwelcome publicity for a number of leading American and European financial institutions. In addition, the events of September 11 have led to a new regulatory emphasis on the curtailment of both money laundering and financing terrorism.

Legislation and guidance on anti-money laundering (AML) compliance for financial institutions is frequently updated. The European Parliament recently adopted the Second Money Laundering Directive, which EU member states are obliged to adopt into national law by June 2003. Among the differences between the new Directive and its 1991 predecessor is a wider definition of criminal activity as "any kind of involvement in the commission of a serious crime."

In the UK the Proceeds of Crime Act 2002 and the FSA Money Laundering Rules represent new challenges to financial institutions. In Switzerland the Federal Banking Commission has recently completed a consultation exercise on a new Money Laundering Ordinance, due to become effective in Summer 2003,

The AML Compliance Health Check has two streams of activities which can be run in parallel: a process stream examining policy, operational procedures, and processes; and a technical stream looking at AML systems.

which will enhance customer due-diligence requirements and mandate the adoption of transaction-monitoring technology. In addition the USA PATRIOT Act has implications not only for U.S. financial institutions, but all overseas banks with branches or subsidiaries in the United States. An example of the extraterritorial nature of the legislation is that the U.S. authorities may issue a subpoena to any foreign bank that maintains a correspondent account in the United States and request records related to the account, including records maintained outside of the United States.

The prescriptive nature of AML regulations means that banks must take positive, practical steps to provide evidence that they are in full compliance with the spirit of the law and can also demonstrate best-practice procedures and IT support. Industry best practice in money-laundering containment is continually evolving. For example, the six major UK banks recently issued a “Statement of Principles for Fighting Crime and the Financing of Terrorism,” which demonstrates a commitment that goes well beyond what is currently required by UK law and in doing so redefines best-practice compliance in the UK.

Compliance Health Check

Given the evolving nature of best practices in anti-money laundering compliance, it is important for financial institutions to periodically benchmark their anti-money laundering systems and controls. An independent review provides a new perspective that may highlight potential weaknesses and deviations from best practices that are otherwise overlooked. It also demonstrates a serious commitment to money-laundering containment in your

organization, which will stand you in good stead in the event of any future intervention from the regulator. In addition, there are public-relations benefits to be gained from taking a principled stance on the fight against organized crime and global terrorist financing.

The iWay Software Anti-Money Laundering Compliance Health Check, offered in conjunction with our partner – the specialist money-laundering containment consultancy Knowco – is designed to provide you with a cost-effective, focused review of your current AML-compliance policies and operational procedures – and the technology infrastructure underpinning those internal controls – against industry best practice.

The health check is divided into two parallel streams: a Process Stream examining policy, operational procedures, and processes; and a Technical Stream looking at AML systems.

The Process Stream addresses major areas of concern in anti-money laundering compliance, including:

- Training and awareness
- Management responsibility, monitoring, and control
- Account opening and customer due diligence
- Record keeping
- Suspicious transaction reporting and disclosure/nondisclosure
- The relationship between compliance and other business functions
- Compliance testing and audit
- AML intelligence and information sharing

The Technical Stream examines the AML system support environment to determine:

- The nature of an organization’s existing computing environment and operating structure

- A best-practice AML software configuration appropriate for the organization using our unique AML solutions framework as a guide – this takes into consideration any existing technological constraints and is based upon the organization’s operating structure, product portfolio, customer profile, and the associated money-laundering risks
- A high-level definition of new systems requirements necessary to support best-practice policies and procedures through a gap analysis of “as is” against “to be” environments

Guided by a best-practice evaluation framework, our consultants can quickly identify areas of noncompliance and deviation from the best practice. The result is a prioritized list of required remedial actions, new systems requirements, and an initial plan for their implementation.

The best-practice evaluation framework captures Knowco consultants’ knowledge and experience of delivering anti-money laundering compliance reviews. It incorporates elements of good practice from many industry sources, including:

- Guidance from investigation and regulatory bodies, such as Canada’s FINTRAC, Jersey Financial Services Commission, and, in the UK, the Joint Money Laundering Steering Group and FSA Money Laundering Rulebook
- FATF consultation paper on the revision of the Forty Recommendations
- FATF Guidance for Financial Institutions in Detecting Terrorist Financing
- Basel Committee Publication No. 85 – “Customer Due Diligence for Banks”
- Wolfsberg AML Principles

Other Anti-Money Laundering Services From iWay Software

The iWay Software Anti-Money Laundering Compliance Health Check service is part of an overall AML solution strategy that our consultants have developed and refined over a number of years. Our other services include:

- AML solution-scoping study – to make recommendations for, and plan the implementation of, automated suspicious transaction detection and money-laundering case management support systems
- AML package selection – selection of the most appropriate AML package for suspicious transaction detection, case management, and reporting
- AML solution delivery – solution design, product customization, and project and program management of the delivery of AML systems
- Data access and integration – consolidation of data from different source systems to support suspicious transaction-detection initiatives
- AML intelligence reporting – to actively monitor compliance and provide intelligence on operational weaknesses and areas of noncompliance
- Customer reverification strategy – strategic advice on risk-based customer reverification programs, to reverify customers who opened accounts prior to the introduction of the latest customer identification standards

Find Out More

To see how we can help you succeed, visit us at www.iwaysoftware.com, e-mail us at info@iWaySoftware.com, or in the U.S. and Canada, call toll-free **(866) 297-4929**.

Or contact Knowco AML Consulting: www.knowco.co.uk.

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