

Outreach Session
AML/CTF Governance and Culture
July 9, 2024

AML/CFT Culture



Culture

- Beliefs and behaviors of an institution that determine how its employees and senior management interact, conduct business on a daily basis.
- Influences decision-making and is evidenced through behavior
- How things are done



Strong AML/CFT Culture

- Preventing shortcomings, identifying risks and deficiencies at an earlier stage, enabling applying more efficient compliance solutions.
- Strong commitment from the top v. doing bare minimum or tick a box approach

Poor AML/CTF Culture

- systems and controls are in place to comply however they are undermined, circumvented
- Has been identified in enforcement actions as a key cause of shortcoming in AML/CTF Frameworks
- Causal link between bad culture and misconduct

AML/CFT Culture and Governance

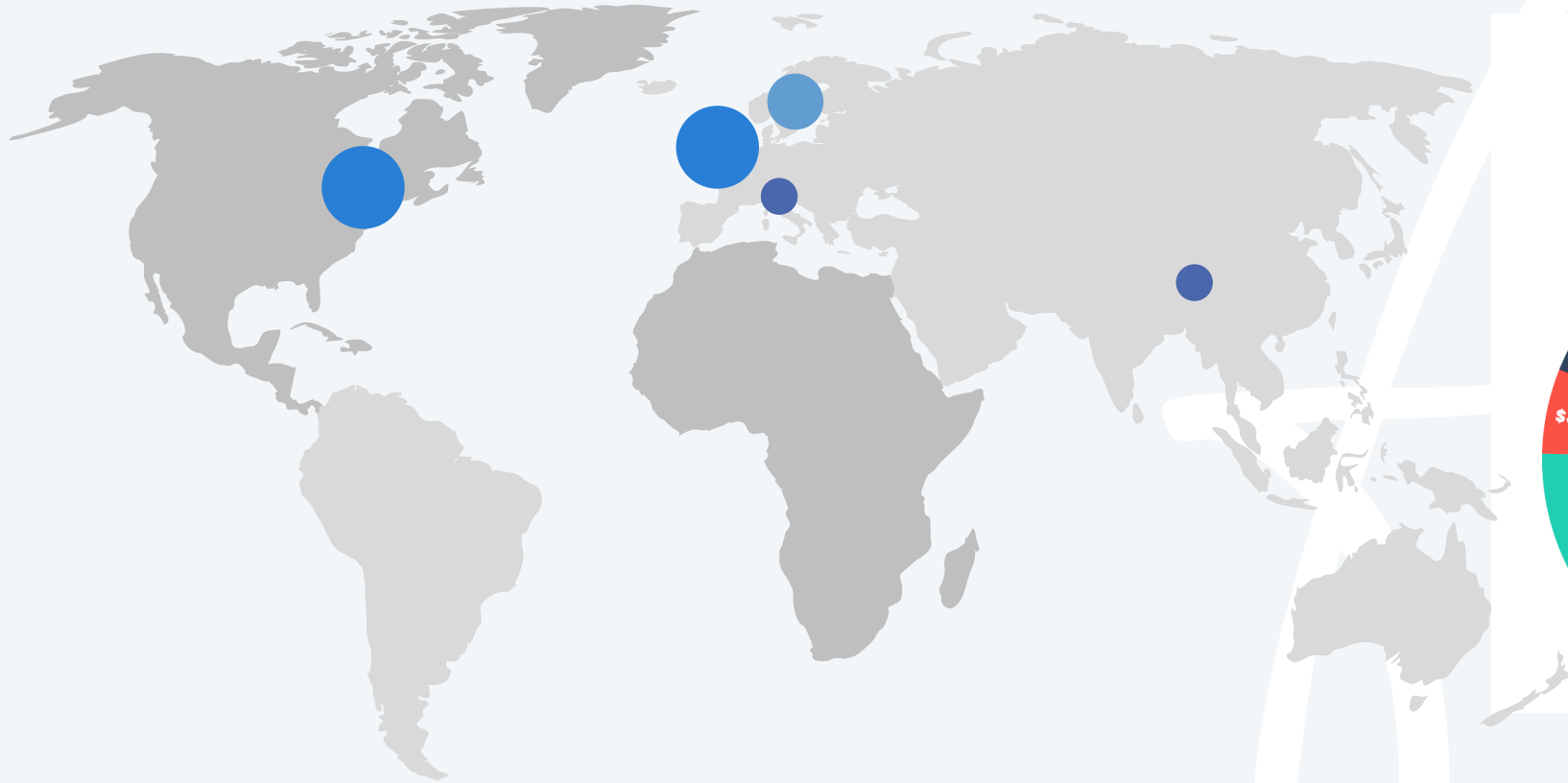
Poor Culture and Governance

- Risk Taking not aligned with Risk Appetite
- Policies, limits, controls, and rules are not adhered to
- Compliance concerns or advice is not adhered by the business or management
- Blame Culture

Strong Culture and Governance

- Balance of power and decision making between first and second line
- Commitment of senior leadership towards ML/TF/PF
- ML/TF/PF controls are considered as enabling rather than restrictive
- Clear and open communication

Why Good Governance and Culture Matters



● US Regulatory Fines

US fined cryptocurrency exchange Binance with 4.3 billion fine for violation AML and Sanctions

● UK Regulatory Fines

FCA fined for 144 million for AML Violations 2022

● EU Regulatory Fines

Credit Swiss Fine 235 million fine by French Regulator
 Danske bank fine 2.2 billion by US and Danish Regulators

TOP CULTURAL FACTORS IN MISCONDUCT



Culture – Misconduct

Source: Freshfields

AML/CFT Strong Governance

01

Responsibility

AML/CTF responsibilities for Board and Senior management for Oversight of AML/CTF Compliance

02

Risk Management

Risk Understanding
ML/TF/PF Risk Assessment

03

Documented Framework

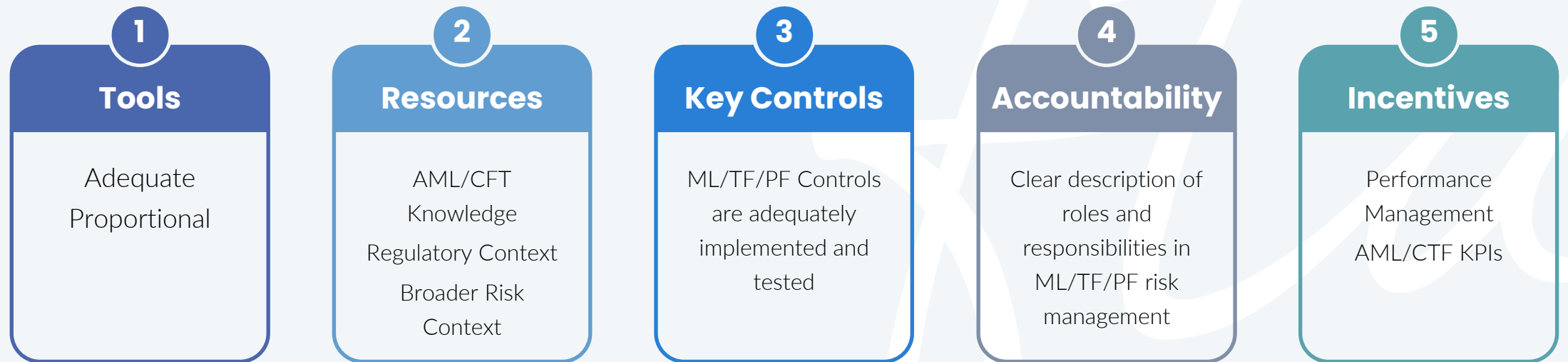
Documented Policies and Procedures

04

Function

Dedicated function for AML/CTF/PF Compliance

AML/CFT Strong Governance and Culture



AML/CFT Culture Elements

Right Tone – AML/CTF
Compliance is a priority
and is supported

Compliance team has
support to conduct
activities

Compliance team can
bring and discuss
emerging ML/TF/PF risks
with management

Responsibilities on
ML/TF/PF risks are shared
between business and
compliance as first and
second line of defense

Open communication
regarding values on an
ongoing and transparent
basis

AML/CFT Governance – Risk Management



Risk Assessment

Business wide ML/TF/PF Risk Assessment



Risk Appetite Framework

Financial Crime Risk Appetite Statement

Customer Risk Assessment and Acceptance Framework



ML/TF/PF Controls

Effective Controls in place to Mitigate Risks

Independent Testing

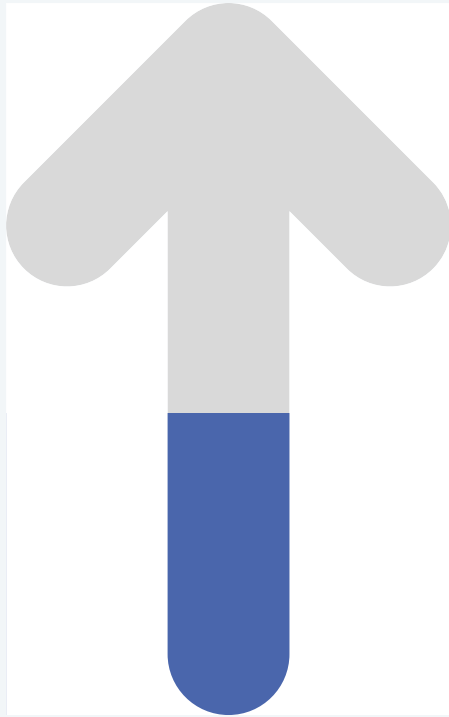


Training

Role Based

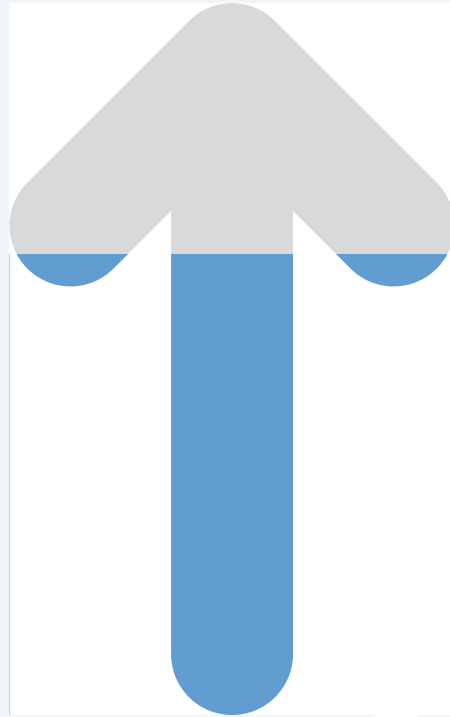
Up to Date

AML/CFT Governance – Risk Accountability



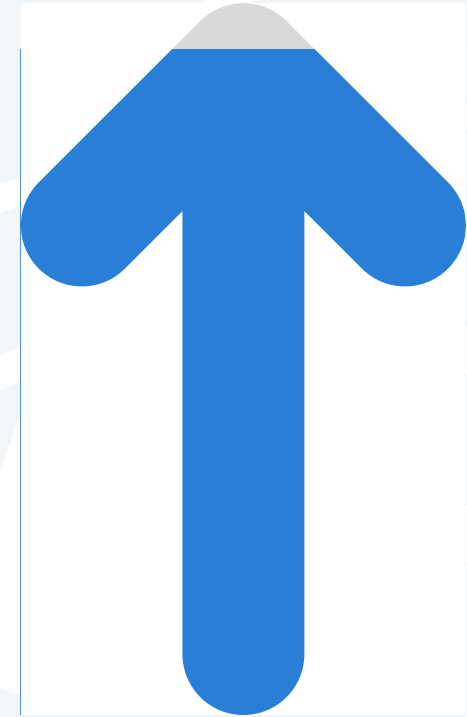
First Line – Business

Identify and Manage Risks
Implement Risk Management Procedures



Second Line – Compliance

Establish policy and processes for risk management
Provide Guidance
Monitor adherence to ML/TF/PF risk management policies and procedures



Third Line – Audit

Provide assurance/independent testing that ML/TF/PF risk management processes are adequate and appropriate

AML/CFT Governance – Board Engagement

01

Approve AML/CTF Policies

02

Approve ML/TF/PF Business wide Risk Assessment

03

Reporting on Emerging risks and risk response

04

Approve Risk Appetite Statement

05

Regular and comprehensive reporting on ML/TF risks and ongoing compliance

06

Independent testing of the AML/CTF Framework

AML/CFT Reporting

Risk Appetite

Adherence to declared risk Appetite
Status of Risk Exposures

01



02



Emerging Risks and changes to Risk landscape

New risks identified
Information regarding changes of risks on institutional jurisdictional or global level

03



Material Compliance Incidents

Incidents related to control failures, misconduct

Non-

04

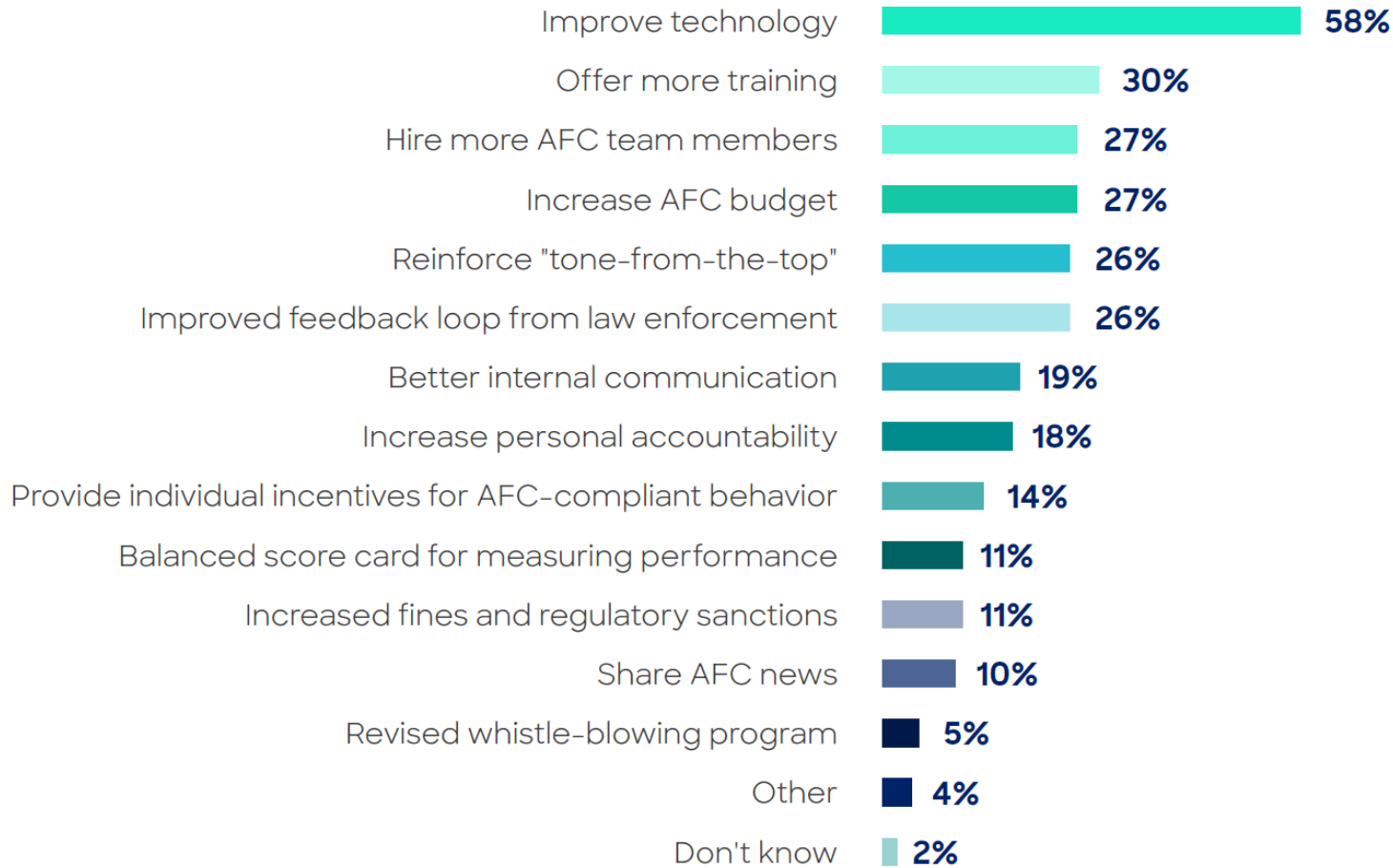


Regulatory Developments

Changes to regulatory requirements
Supervisory Approaches

Board Oversight

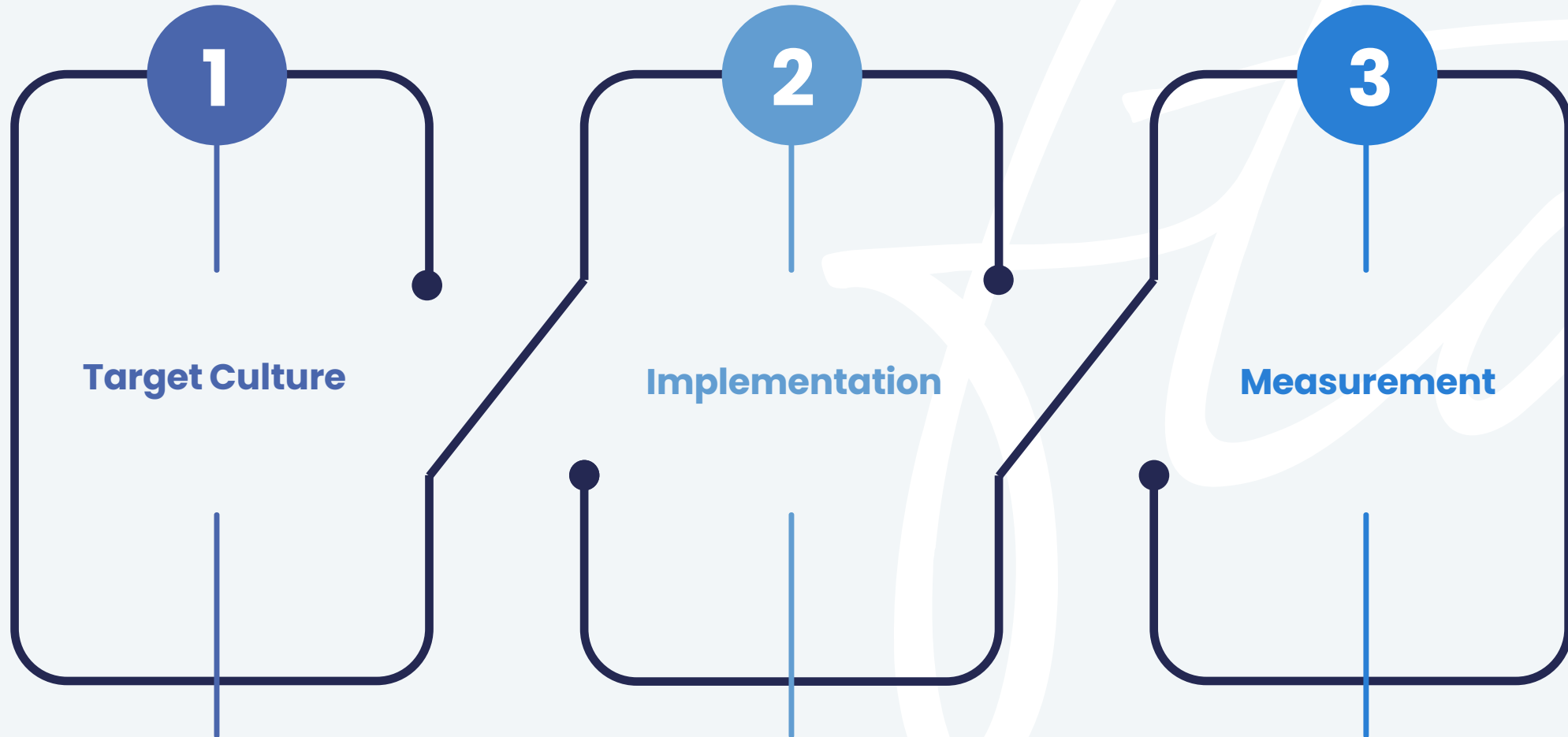
Figure 12: Survey results on top actions to enhance AFC culture



AML/CFT Culture

Source: Global Study into AFC Culture 2021, ACAMS

AML/CFT – Building a Strong Culture





Thank you

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