

Role of Senior Management in Building Strong AML/CFT Framework

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Who is ultimately responsible for AML/CFT Compliance?



- 1st | Compliance function/MLRO
- 2nd | Business Lines
- 3rd | Board and Senior Management



Senior Management Responsibilities

“The board has ultimate responsibility for the bank’s business strategy and financial soundness, key personnel decisions, internal organization and governance structure and practices, and risk management and compliance obligations” (Basel)

“The management body in its supervisory function should be responsible for setting, approving and overseeing the implementation of an adequate and effective internal governance and internal control framework to ensure compliance with applicable requirements in the context of the prevention of money laundering and terrorism financing (ML/TF).” (EBA)

“The management body must have ultimate and overall responsibility for the institution and defines, oversees and is accountable for the implementation of the governance arrangements within the institution that ensure effective and prudent management of the institution.” (EBA)

Role of Senior Management



AML/CFT Culture



Culture is “We are what we repeatedly Do”

How the Organization makes decisions

How Employees Interact

What are Core values



For AML/CFT it means

Is compliance a priority?

Is compliance team supported?

Are compliance obligations undermined or circumvented?

Poor AML Culture Examples

01

Risk Taking not aligned with Risk Appetite

02

Policies, limits, controls, and rules are not adhered to

03

Compliance concerns or advice is not adhered by the business or management
Blame Culture

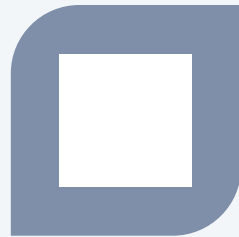
AML/CFT Good Culture Elements



RIGHT TONE – AML/CFT
COMPLIANCE IS A PRIORITY



COMPLIANCE HAS SUPPORT
FROM SENIOR LEADERSHIP



COMPLIANCE TEAM CAN
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 RISKS,
APPROACHES, WAYS OF DOING
BUSINESS

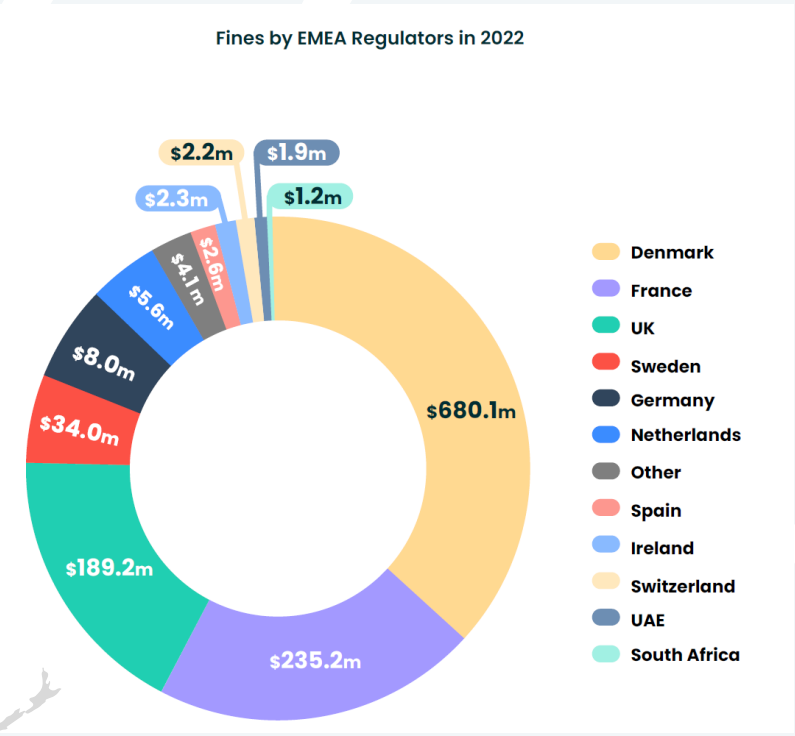
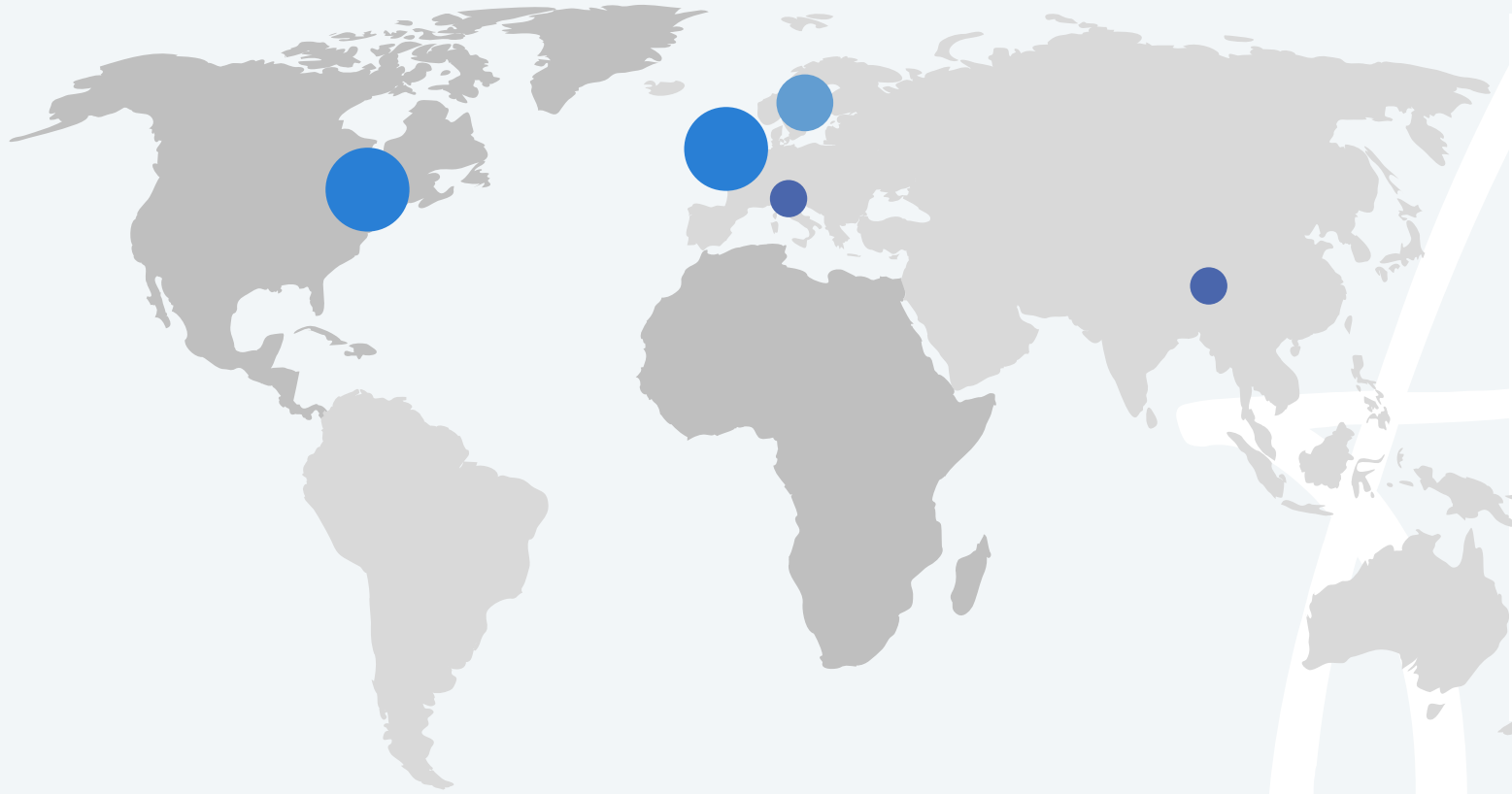
TOP CULTURAL FACTORS IN MISCONDUCT



Culture and Misconduct

Source: Freshfields

AML/CFT Sanctions



● 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 in 2023 by US and Danish Regulators

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Which Internal function should Lead Culture

What Tone from the Top means for AML/CFT



Setting the tone starting with setting AML/CFT Risk Appetite – a level playing field for business



Having in place adequate and up-to-date AML/CFT Policies



Communicating the commitment to comply with AML/CFT Requirements



Establish appropriate governance structures for the Compliance Function



Allocate sufficient resources to AML/CFT compliance



Ensuring that Revenue Interests do not compromise Compliance

Board Management Operational Level Engagement

Adoption of AML/CFT Policies

Adoption of Business Risk Assessment

Periodic Monitoring of adherence to Risk Appetite

Engagement with Compliance team

Approval of High Risk Customers

Exit Relationships with High risk Customers

Role of Supervisory Board

AML/CFT Governance – Board Engagement

01

Approve AML/CFT Policies

02

Approve ML/TF/PF Business wide Risk Assessment

03

Receive Reporting on Emerging risks and risk response

04

Approve Risk Appetite Statement

05

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

06

Receive information on Independent testing of the AML/CTF Framework

Governance – 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 risk exposures on institutional jurisdictional or global level

03



Material Compliance Incidents

Incidents related to control failures, misconduct

Non-

04



Regulatory Developments

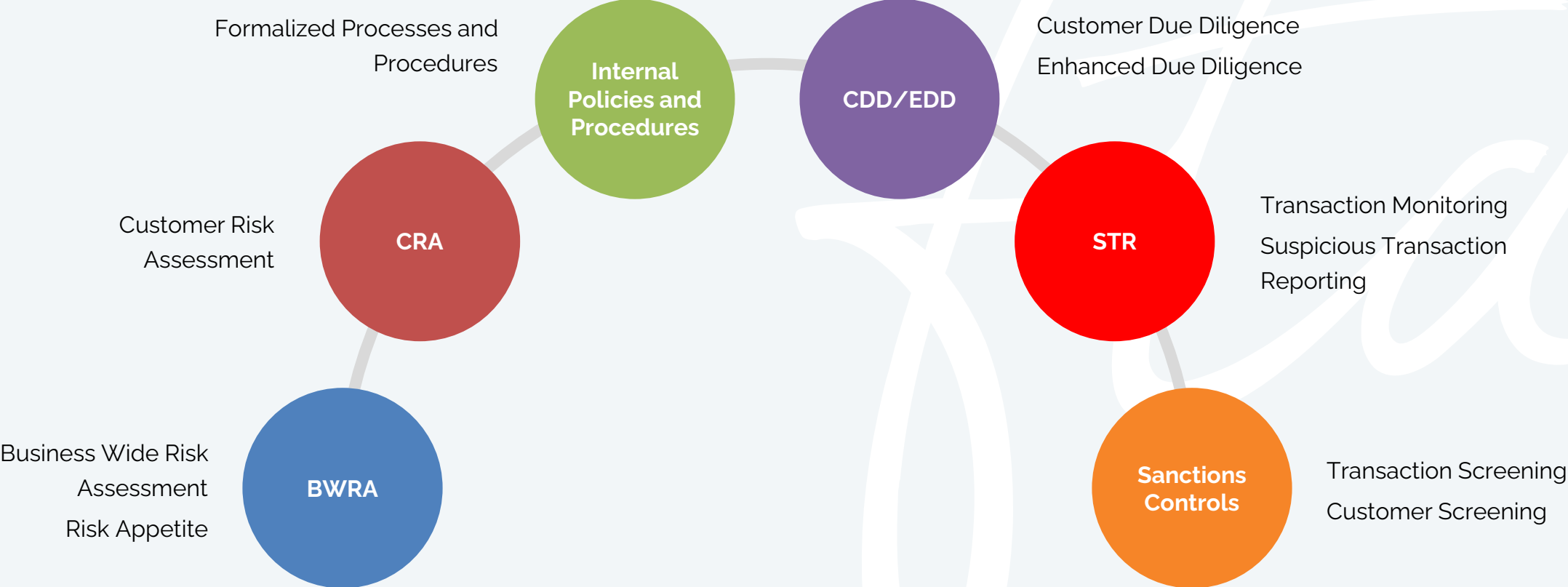
Changes to regulatory requirements
Supervisory Updates

Board Oversight

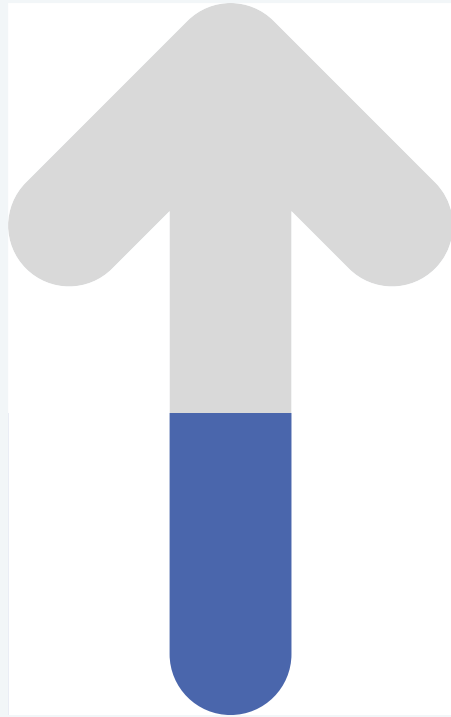
Key Controls



Key Controls

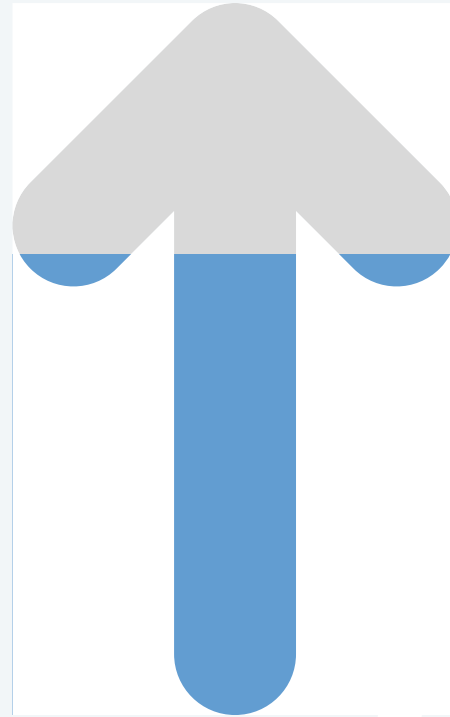


AML/CFT Governance – Risk Accountability



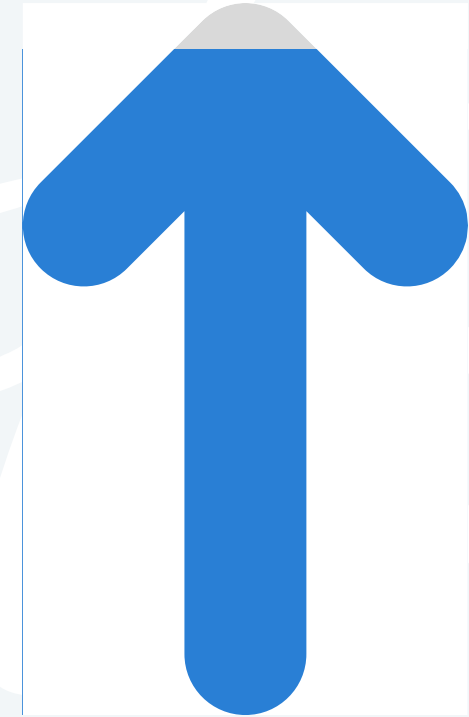
First Line – Business

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

Risk Understanding



**Assessing Risks
BRA**



**Risk Mitigation
Risk Response**



**Clear Risk Appetite
and Customer
Acceptance Policies
RBA Policy**



**Customer Risk
Assessment**



**Enhanced Due
Diligence Measures
aligned with Risk**

AML/CFT Governance – Risk Management



Risk Assessment

Business wide ML/TF/PF Risk Assessment



Risk Appetite Framework

Financial Crime Risk Appetite Statement

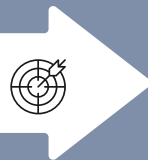
Customer Risk Assessment and Acceptance Framework



ML/TF/PF Controls

Effective Controls in place to Mitigate Risks

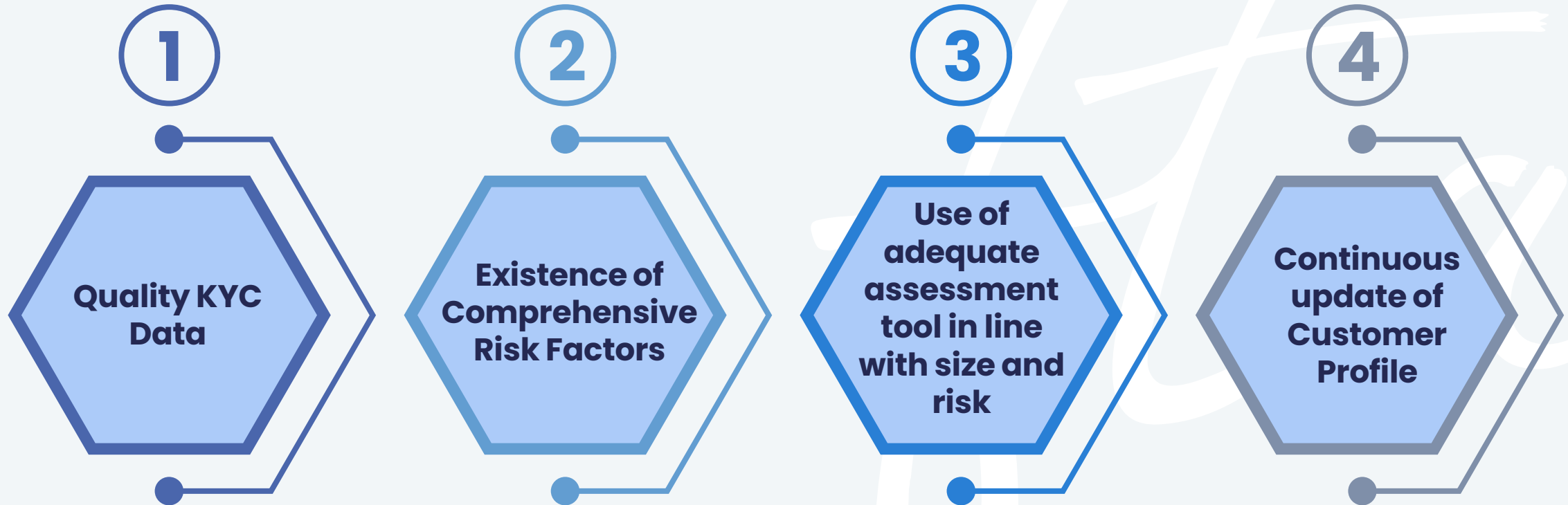
Independent Testing



Independent Testing

Testing of Key Controls

Components of Customer Risk Assessment



Internal Policies

Cover all
ML/TF/PF
Areas

Up to Date

Targeted to
specific
institution

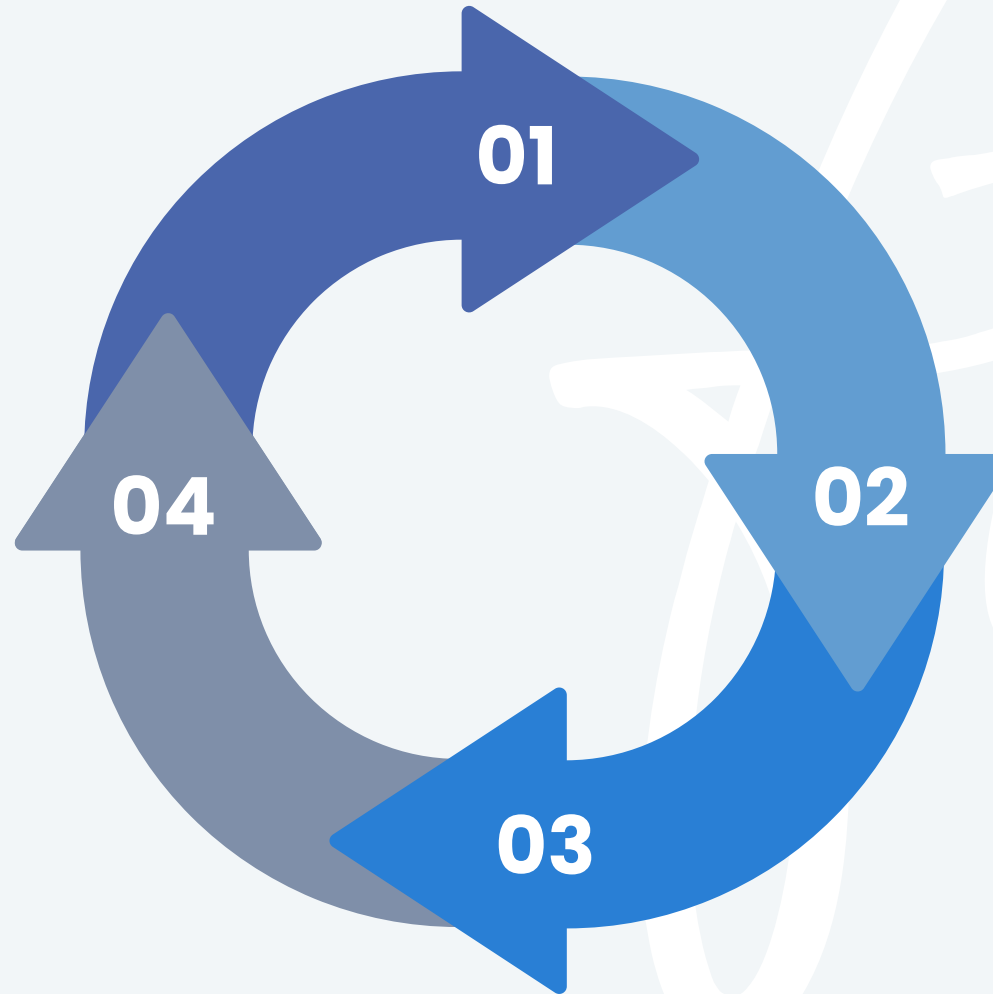
Employees rely
on it

Policies are
backed up by
operational level
procedures

KYC/CDD

Onboarding
Identification/Verification
EDD based on Risk
SoF/SoW

Account Closure
Exit Relationship
Customer Request



Transaction Monitoring
Analysis of declared activity v.
Real activity
Red Flag Transactions

Update of Information
Activity
Beneficiary and Ownership
Structure
Negative Media - Panama
Papers, Bahamas Leaks, etc.
External Inquiries

Transaction Monitoring



Effective System for TF-TFS PF-TFS

01

Risk Understanding

1. Business Risk Assessment
2. Risk Appetite

02

Procedures

1. Procedures defining practical steps regarding transaction Monitoring, Screening

03

Screening

1. Customer Screening
2. Transaction Screening
3. Look Back Transaction Review

04

Transaction Monitoring

1. Targeted Scenarios
2. Trends Analysis
3. Bigger Picture



Thank you

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