

FLEMING
Asset Management

Financing Crime Training

FINANCIAL CRIME COURSE INDEX

- Anti Money Laundering (AML)
- Counter Terrorist Financing (CTF)
- AML & CTF prevention tools
- Bribery & Corruption
- Insider Trading & Market Manipulation
- Fraud



ANTI MONEY LAUNDERING

Introduction

- With the globalisation of national economies across the world and advances in information technology, criminals look for opportunities to mask their criminal activities through Money Laundering, to use the proceeds for illegal or legal activities
- These are proceeds derived from criminal activity like illegal arms sales smuggling, prostitution, drug trafficking, human trafficking, illegal immigration, embezzlement, insider trading, bribery and computer fraud schemes.



ANTI MONEY LAUNDERING

What is money laundering?

- Money Laundering is any act or attempt to disguise the source of money or assets derived from criminal activities that produce large profits.
- The concealment of the origins of illegally obtained money, typically by means of transfers involving foreign banks or legitimate businesses.
- The process of transforming the proceeds of crime into ostensibly legitimate money or other assets.

ANTI MONEY LAUNDERING

Why is money laundered?

- Money is laundered or “cleaned” by criminals so that they can use the money for legal or illegal purposes.
- To conceal the true ownership and origin of the proceeds
- Disguise and change the form of criminal proceeds
- Maintain control of the proceeds during the laundering process



ANTI MONEY LAUNDERING

Money laundering stages:-

These steps may occur separately or simultaneously and they don't have to occur in any order.

- Placement
- Layering
- Integration



ANTI MONEY LAUNDERING

Placement

- The process of physically placing bulk cash derived from criminal activities into the financial system or legitimate commerce e.g. A customer who sporadically makes large cash deposits into his / her personal checking account



ANTI MONEY LAUNDERING

Layering

- The process of separating the source of cash from its criminal origins by passing it through several and / or complex financial transactions
- Transactions can occur in a single account or multiple accounts e.g. A customer who deposits cash and then makes wire transfers to move the cash from one account to another



ANTI MONEY LAUNDERING

Integration

- The process of combining illegal funds with legally obtained funds and providing a legitimate explanation for its ownership e.g. A customer who uses laundered and legitimate funds to purchase investments. Withdrawing funds from the financial system.
- The 3 stages don't have to always occur or follow this order.



ANTI MONEY LAUNDERING

Impact of money laundering:-

- This is an international problem
- The problem is exacerbated by growth in international trade, the expansion of the global financial system, the lowering of barriers to international travel and the surge in the internationalization of organised crime.
- The United Nations have stated that money laundering poses a threat to the structures around the globe.
- The global community has sought to address the problem through various means, including multilateral treaties, regional agreements, international organizations and the identification of universal counter-laundering measures.



TERRORIST FINANCING

What is terrorist financing?

- It is the funding of terrorist activities through both clean and dirty money
- Terrorist organisations source funds to support their organisation, which includes purchasing arms, training, administration, travel and public relations



TERRORIST FINANCING

Goals:-

- To conceal the financing of their activities
- Conceal the nature of the financed activities
- To hide both of them



TERRORIST FINANCING

Impact of terrorist financing:-

- Loss of life
- Damage to property and infrastructure costing billions of USD a year (52.9 billion in 2014)
- Adversely affects markets and economies
- Creates political instability
- Results in social upheaval
- Poverty and hardship



AML & CTF PREVENTION TOOLS

The following tools are available:-

- Development of legislation
- Imposing sanctions
- Create and implement company policies to combat money laundering
- Creating awareness and conducting training



AML & CTF PREVENTION TOOLS

Development of legislation:-

- While money laundering and terrorism are a global challenge, some countries around the world have sort to develop their own legislation.
- These countries have sort their own unique solutions while others have adopted the policies of intergovernmental bodies. This process has created a variety of challenges in the development of AML & CTF legislation
- See [FATF](#) and [FIA](#)



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AML & CTF PREVENTION TOOLS


Imposing sanctions:-

- Sanctions can be imposed on individuals, countries and entities
- We do not do business with anyone who is on the Office of Foreign Assets Control (OFAC) sanctions list




AML & CTF PREVENTION TOOLS

Company policies:-

- Develop & implement customer acceptance policies, internal rules and procedures to protect the company as a first line of defence
- Identification and continuous due diligence checks on new and existing clients **CDD & KYC** 
- Record keeping (5 years) Adobe Acrobat Document
- Suspicious transaction reporting
- Must have designated compliance officer at management level
- Check client names against international sanctions lists
- Must develop internal risk and audit committees to monitor compliance with internal rules and AML / CTF framework

AML & CTF PREVENTION TOOLS

Awareness and training:-

- Understanding AML & CTF
- Identifying suspicious transactions and behaviour **RED FLAGS** 
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- Knowing how do deal with suspicious activity and clients without assisting them or tipping them off before reporting
- Reporting on suspicious transactions and behaviour
- Understanding our clients and their business



BRIBERY & CORRUPTION

Understanding the issue:-

- It has implications at an organisational, national and global level by destroying trust and undermining fair competition

Examples:-

- Promising officials personal compensation for award of business
- Paying officials abnormally high fees and commissions or promising a percentage of fees
- Promising expensive gifts directly or indirectly e.g. expensive holidays, jewellery etc
- Sharing valuable price sensitive or confidential information for favours or money



INSIDER TRADING & MARKET MANIPULATION

Understanding the issue:-

- Undermines investor confidence in the markets and causes market instability, impact the cost of capital and economic growth

Examples:-

- Non public information about an instrument or transaction that is price sensitive should not be used to make investment decisions
- Non public information about an instrument or transaction that is price sensitive should not be disclosed unless to entire public
- Spreading false rumours to drive down share prices
- Creating false impressions on stock demand, by traders trading between each other
- Taking stock short positions and spreading rumours by issuing press releases to drive down prices and subsequently buying stock at cheaper prices

FRAUD

Understanding the issue:-

- Using deceit to obtain a business advantage, avoid an obligation or cause losses to another party. Everyone is affected by fraud as companies try to recover money after taking losses due to fraud

Examples:-

- Internal fraud – Carried out by persons within an organisation e.g. concealing or manipulating a struggling company's financials
- Collusion – Where an employee works with another external or internal party to cover up for the company or their own actions
- External – Where external persons take advantage of poor security measure in a company

